



Fiscal Year 2009 was a year of change. On January 20, 2009, President Obama was sworn into office and Ken Salazar was confirmed and sworn in as the 50th Secretary of the Interior. The new Secretary was welcomed by a large crowd of employees at the Main Interior Building on January 21, 2009. The Secretary promised to bring positive change and to lead the Department with openness in decisionmaking, high ethical standards, and respect for scientific integrity.

Actions are well underway to ensure transparency and accountability throughout the Department with the release of clear guidance in Secretarial Orders on Climate Change Response and creation of a Youth in Natural Resources Office. The Secretary has made decisions resulting in demonstrable actions to improve programs and services to the American public. Examples include opening the crown of the Statue of Liberty to the public, acquiring from willing sellers and avoiding condemnations for development

of the Flight 93 National Memorial, and holding public listening sessions and extending the public comment period on the 2010-2015 five year program for the Outer Continental Shelf.

There are changes in the Department's approach to financial accountability as well. Beginning with the FY 2009 report, Interior will present an Agency Financial Report (AFR) and a separate Annual Performance Report (APR). These reports had previously been combined and published in November. In addition to the audited financial statements, the AFR will present the results of the annual assessment of program leadership and stewardship of the resources and public funds entrusted to Interior and provide a comprehensive snapshot of the most important financial information related to the programs managed by Interior. Performance information will be included; however, a more comprehensive report on performance will be issued in an APR that will be released at the same time as the budget.

The Department has worked closely with the eight major bureaus and multiple offices, the Office of Inspector General, and its independent auditor to provide an assessment of the financial status of Interior.

For the 13th consecutive year, Interior received an unqualified ("clean") opinion on the Department's consolidated financial statements from the auditors. This is the best possible audit result and affirms management's commitment to financial reporting excellence. Along with this opinion, Interior had other noteworthy accomplishments in FY 2009, including:

- ▶ Interior received the Association of Government Accountants' Certificate of Excellence in Accountability Reporting. This marks the 8th consecutive year that Interior has been recognized for quality reporting.
- ▶ Interior continued implementation of the Department's Financial and Business Management System, which is now the financial system of record for three bureaus. Additionally, two bureaus have converted acquisition functions to the new system. The Department overcame numerous challenges in this major deployment to the first bureau operating on the Federal Financial System, and a bureau with significant numbers of users, a decentralized organization, and complex accounts.
- ▶ Interior continued to improve collaboration throughout the finance, budget, and performance communities. The Chief Financial Officers Council, the Financial Officers Partnership, the Bureau Budget Officers and Planning and Management Council, and other forums continued to provide leadership.
- ▶ Interior continues to address the management challenges issued by the Office of the Inspector General. Improvements have occurred in each of the seven areas identified and efforts will continue in these areas.

## MESSAGE FROM THE CHIEF FINANCIAL OFFICER

- ▶ Interior exceeded the annual performance goal of implementing 85 percent of GAO and OIG audit recommendations scheduled for completion in the current fiscal year. In addition, Interior began a more comprehensive program of oversight of the development of recommendations and follow-up.
- ▶ Interior documented and tested the internal controls over financial reporting and issued a statement of assurance related to the effectiveness of the reviews. As the internal control programs mature, the Department is increasingly able to improve its assessment of risk.
- ▶ Interior continued to improve the Intragovernmental Reconciliation process to ensure accurate reporting of business activity with other Federal trading partners. This is an integral element of the Combined Financial Report of the United States.
- ▶ Interior implemented two new Statements of Federal Financial Accounting Standards — Standard 30, Inter-Entity Cost Implementation: Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts, and Standard 31, Accounting for Fiduciary Activities.
- ▶ Interior consolidated the submission of financial information in FY 2009. All eight bureaus are now part of the consolidated approach. The Department will issue two audits – the consolidated audit and the audit for Departmental Offices.
- ▶ Interior improved handling and processing of Unfilled Customer Orders, Undelivered Orders, Reimbursable Agreements, and other financial and administrative functions as a result of recommendations made by the Office of Inspector General and our independent auditor, KPMG LLP.

These improvements pave the way for Interior to fulfill the Secretary's commitments for transparency and accountability. This Agency Financial Report provides timely information that the American public can use to better understand Interior's programs and to follow our progress in advancing Interior's mission goals.



Rhea Suh  
Assistant Secretary – Policy, Management and Budget  
and Chief Financial Officer  
November 16, 2009

The principal financial statements included in Interior's FY 2009 Annual Financial Report have been prepared in accordance with the requirements of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, and the Office of Management and Budget's Circular A-136, *Financial Reporting Requirements*. These statements include the following:

- ▶ Balance Sheet
- ▶ Statement of Net Cost
- ▶ Statement of Changes in Net Position
- ▶ Statement of Budgetary Resources
- ▶ Statement of Custodial Activity

The responsibility for the integrity of the financial information included in these statements rests with Interior's management. The audit of Interior's principal financial statements was performed by an independent certified public accounting firm selected by Interior's Office of Inspector General. The auditors' report, issued by the independent certified public accounting firm, is included in Part 2, Financial Section, of this report.

## PRINCIPAL FINANCIAL STATEMENTS

### Balance Sheet as of September 30, 2009 and 2008 (dollars in thousands)

	FY 2009	FY 2008
<b>ASSETS</b>		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	\$ 41,728,717	\$ 37,932,964
Investments, Net (Note 3)	7,052,150	7,345,098
Accounts and Interest Receivable (Note 4)	3,976,487	1,703,833
Loans and Interest Receivable, Net (Note 5)	3,338,756	3,063,916
Other	4,622	556
Total Intragovernmental Assets	56,100,732	50,046,367
Cash	456	474
Investments, Net (Note 3)	23	201,513
Accounts and Interest Receivable, Net (Note 4)	1,226,814	1,580,305
Loans and Interest Receivable, Net (Note 6)	109,056	115,195
Inventory and Related Property, Net (Note 7)	224,364	236,647
General Property, Plant and Equipment, Net (Note 8)	18,989,791	18,306,908
Other	268,553	191,858
<b>TOTAL ASSETS (Note 10)</b>	<b>\$ 76,919,789</b>	<b>\$ 70,679,267</b>
Stewardship Assets (Note 9)		
<b>LIABILITIES</b>		
Intragovernmental Liabilities:		
Accounts Payable	\$ 678,968	\$ 611,625
Debt (Note 11)	643,272	715,109
Other		
Liability for Capital Transfer to the General Fund of the Treasury (Note 21)	2,048,439	2,050,466
Advances and Deferred Revenue	627,065	542,603
Custodial Liability	495,508	681,949
Other Liabilities	571,051	559,203
Total Intragovernmental Liabilities	\$ 5,064,303	\$ 5,160,955
Accounts Payable	890,421	960,208
Loan Guarantee Liability (Note 6)	50,779	36,180
Federal Employee and Veteran Benefits Payable (Note 12)	1,394,446	1,383,223
Environmental and Disposal Liabilities (Note 13)	155,684	155,548
Other		
Refunds Payable	2,150,034	-
Contingent Liabilities (Note 13)	126,931	1,188,548
Advances and Deferred Revenue	793,888	1,060,626
Payments Due to States	476,873	632,284
Grants Payable	297,633	292,228
Other Liabilities	955,977	957,845
<b>TOTAL LIABILITIES (Note 14)</b>	<b>\$ 12,356,969</b>	<b>\$ 11,827,645</b>
Commitments and Contingencies (Note 13 and 15)		
Net Position		
Unexpended Appropriations - Earmarked Funds (Note 20)	448,217	416,215
Unexpended Appropriations - Other Funds	6,437,188	4,128,062
Cumulative Results of Operations - Earmarked Funds (Note 20)	54,125,552	52,113,540
Cumulative Results of Operations - Other Funds	3,551,863	2,193,805
Total Net Position	64,562,820	58,851,622
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 76,919,789</b>	<b>\$ 70,679,267</b>

The accompanying notes are an integral part of these financial statements.



**Statement of Net Cost**  
**for the years ended September 30, 2009 and 2008**  
*(dollars in thousands)*

	FY 2009	FY 2008
<b>RESOURCE PROTECTION</b>		
Costs	\$ 4,699,990	\$ 4,574,137
Less: Earned Revenue	710,275	793,771
Net Cost	3,989,715	3,780,366
<b>RESOURCE USE</b>		
Costs	3,815,256	5,314,798
Less: Earned Revenue	1,424,551	1,341,168
Net Cost	2,390,705	3,973,630
<b>RECREATION</b>		
Costs	3,185,965	2,953,708
Less: Earned Revenue	320,701	321,229
Net Cost	2,865,264	2,632,479
<b>SERVING COMMUNITIES</b>		
Costs	5,350,284	5,296,236
Less: Earned Revenue	457,950	518,423
Net Cost	4,892,334	4,777,813
<b>REIMBURSABLE ACTIVITY AND OTHER</b>		
Costs	2,467,643	2,436,747
Less: Earned Revenue	1,513,844	1,355,286
Net Cost	953,799	1,081,461
<b>TOTAL</b>		
Costs	19,519,138	20,575,626
Less: Earned Revenue	4,427,321	4,329,877
Net Cost of Operations (Notes 17 and 19)	\$ 15,091,817	\$ 16,245,749

The accompanying notes are an integral part of these financial statements.

**Statement of Changes in Net Position**  
**for the years ended September 30, 2009 and 2008**  
*(dollars in thousands)*

	FY 2009			FY 2008		
	Earmarked	All Other	Consolidated	Earmarked	All Other	Consolidated
	(Note 20)			(Note 20)		
<b>UNEXPENDED APPROPRIATIONS</b>						
Beginning Balance	\$ 416,215	\$ 4,128,062	\$ 4,544,277	\$ 335,545	\$ 3,774,190	\$ 4,109,735
Adjustments						
Changes in Earmarked Classification	(152,550)	152,550	-	-	-	-
Beginning Balance, as adjusted	263,665	4,280,612	4,544,277	335,545	3,774,190	4,109,735
Budgetary Financing Sources						
Appropriations Received, General Funds	479,897	13,084,992	13,564,889	490,267	11,001,628	11,491,895
Appropriations Transferred In/(Out)	(1,813)	11,450	9,637	976	26,242	27,218
Appropriations-Used	(301,343)	(10,911,209)	(11,212,552)	(400,055)	(10,503,971)	(10,904,026)
Other Adjustments	7,811	(28,657)	(20,846)	(10,518)	(170,027)	(180,545)
Net Change	184,552	2,156,576	2,341,128	80,670	353,872	434,542
Ending Balance - Unexpended Appropriations	\$ 448,217	\$ 6,437,188	\$ 6,885,405	\$ 416,215	\$ 4,128,062	\$ 4,544,277
<b>CUMULATIVE RESULTS OF OPERATIONS</b>						
Beginning Balance	\$ 52,113,540	\$ 2,193,805	\$ 54,307,345	\$ 49,148,058	\$ 2,746,813	\$ 51,894,871
Adjustments						
Changes in Earmarked Classification	(118,892)	118,892	-	-	-	-
Changes in Accounting Principle (Note 22)	-	(304,991)	(304,991)	-	-	-
Beginning Balance, as adjusted	51,994,648	2,007,706	54,002,354	49,148,058	2,746,813	51,894,871
Budgetary Financing Sources						
Appropriations-Used	301,343	10,911,209	11,212,552	400,055	10,503,971	10,904,026
Royalties Retained	4,458,799	2,855	4,461,654	5,796,448	7,193	5,803,641
Non-Exchange Revenue	1,005,187	7,452	1,012,639	936,211	20,858	957,069
Transfers In/(Out) without Reimbursement	486,968	23,416	510,384	651,562	(26,933)	624,629
Donations and Forfeitures of Cash and Cash Equivalents	37,729	-	37,729	65,205	-	65,205
Other Budgetary Financing Sources (Uses)	(2,489)	-	(2,489)	(14,887)	1,120	(13,767)
Other Adjustments	(8,377)	5,436	(2,941)	114	241	355
Other Financing Sources						
Donations and Forfeitures of Property	11,039	13,757	24,796	3,393	14,421	17,814
Transfers In/(Out) without Reimbursement	(57,137)	75,808	18,671	(59,081)	1,623	(57,458)
Imputed Financing from Costs Absorbed by Others (Note 16)	133,411	1,499,532	1,632,943	133,752	338,338	472,090
Other Non-Budgetary Financing Sources (Uses)	(12,929)	(126,131)	(139,060)	-	(115,381)	(115,381)
Total Financing Sources	6,353,544	12,413,334	18,766,878	7,912,772	10,745,451	18,658,223
Net Cost of Operations	(4,222,640)	(10,869,177)	(15,091,817)	(4,947,290)	(11,298,459)	(16,245,749)
Net Change	2,130,904	1,544,157	3,675,061	2,965,482	(553,008)	2,412,474
Ending Balance - Cumulative Results of Operations	\$ 54,125,552	\$ 3,551,863	\$ 57,677,415	\$ 52,113,540	\$ 2,193,805	\$ 54,307,345
<b>TOTAL NET POSITION</b>	<b>\$ 54,573,769</b>	<b>\$ 9,989,051</b>	<b>\$ 64,562,820</b>	<b>\$ 52,529,755</b>	<b>\$ 6,321,867</b>	<b>\$ 58,851,622</b>

The accompanying notes are an integral part of these financial statements.

**Statement of Budgetary Resources**  
**for the years ended September 30, 2009 and 2008**  
*(dollars in thousands)*

	<b>Total Budgetary Accounts</b>		<b>Non-Budgetary Credit Program</b>	
	<b>2009</b>	<b>2008</b>	<b>Financing Accounts</b>	
			<b>2009</b>	<b>2008</b>
<b>Budgetary Resources:</b>				
Unobligated Balance, Beginning of Fiscal Year:	\$ 7,080,633	\$ 5,724,423	\$ 43,220	\$ 111,486
Change in Accounting Principle (Note 22)	(102,507)	-	-	-
Recoveries of Prior Year Unpaid Obligations	466,065	488,802	-	-
Budget Authority				
Appropriation	19,858,187	17,659,886	-	1,113
Borrowing Authority	-	-	2,665	2,426
Spending Authority from Offsetting Collections				
Earned				
Collected	\$ 4,875,123	\$ 4,674,107	27,508	44,562
Change in Receivables from Federal Sources	54,359	71,067	(61)	61
Change in Unfilled Customer Orders				
Advance Received	43,007	(69,227)	-	-
Without Advance from Federal Sources	214,333	588,231	-	-
Total Budget Authority	25,045,009	22,924,064	30,112	48,162
Nonexpenditure Transfers, Net, Anticipated and Actual	(216,665)	(25,528)	-	-
Temporarily Not Available Pursuant to Public Law	-	(2,643)	-	-
Permanently Not Available	(64,681)	(200,324)	(9,550)	(24,434)
<b>Total Budgetary Resources</b>	<b>\$ 32,207,854</b>	<b>\$ 28,908,794</b>	<b>\$ 63,782</b>	<b>\$ 135,214</b>
<b>Status of Budgetary Resources:</b>				
Obligations Incurred				
Direct	\$ 17,385,644	\$ 17,088,920	\$ 28,315	\$ 91,994
Reimbursable	5,154,261	4,739,241	-	-
Total Obligations Incurred	22,539,905	21,828,161	28,315	91,994
Unobligated Balance Available				
Apportioned	9,449,978	6,851,102	35,467	5,731
Exempt from Apportionment	34,933	40,682	-	-
Total Unobligated Balance Available	9,484,911	6,891,784	35,467	5,731
Unobligated Balance Not Available	183,038	188,849	-	37,489
<b>Total Status of Budgetary Resources</b>	<b>\$ 32,207,854</b>	<b>\$ 28,908,794</b>	<b>\$ 63,782</b>	<b>\$ 135,214</b>
<b>Change in Obligated Balance:</b>				
Obligated Balance, Net				
Unpaid Obligations, Brought Forward, Beginning of Fiscal Year	\$ 9,223,469	\$ 9,093,349	\$ 61	\$ 3
Less: Uncollected Customer Payments From Federal Sources,				
Brought Forward, Beginning of Fiscal Year	(1,746,775)	(1,087,477)	(61)	-
Total Unpaid Obligated Balances, Net, Beginning of Fiscal Year	7,476,694	8,005,872	-	3
Obligations Incurred, Net	22,539,905	21,828,161	28,315	91,994
Less: Gross Outlays	(21,460,543)	(21,209,239)	(28,376)	(91,936)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(466,065)	(488,802)	-	-
Change in Uncollected Customer Payments From Federal Sources	(268,692)	(659,298)	61	(61)
<b>Total, Unpaid Obligated Balance, Net, End of Period</b>	<b>\$ 7,821,299</b>	<b>\$ 7,476,694</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Obligated Balance, Net, End of Period - By Component:</b>				
Unpaid Obligations	9,836,765	9,223,469	-	61
Less: Uncollected Customer Payments From Federal Sources	(2,015,466)	(1,746,775)	-	(61)
<b>Total, Unpaid Obligated Balance, Net, End of Period</b>	<b>\$ 7,821,299</b>	<b>\$ 7,476,694</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Outlays:</b>				
Net Outlays				
Gross Outlays	21,460,543	21,209,239	28,376	91,936
Less: Offsetting Collections	(4,918,130)	(4,604,881)	(27,508)	(44,562)
Less: Distributed Offsetting Receipts	(5,257,387)	(6,924,469)	-	-
<b>Net Outlays (Receipts)</b>	<b>\$ 11,285,026</b>	<b>\$ 9,679,889</b>	<b>\$ 868</b>	<b>\$ 47,374</b>

The accompanying notes are an integral part of these financial statements.

**Statement of Custodial Activity**  
**for the years ended September 30, 2009 and 2008**  
*(dollars in thousands)*

	2009	2008
<b>Revenues on Behalf of the Federal Government</b>		
<b>Mineral Lease Revenue</b>		
Rents and Royalties	\$ 7,489,653	\$ 13,487,955
Onshore Lease Sales	360,331	741,521
Offshore Lease Sales	1,201,641	9,541,682
Strategic Petroleum Reserve	268,537	1,600,027
<b>Total Revenue</b>	<b>\$ 9,320,162</b>	<b>\$ 25,371,185</b>
<b>Disposition of Revenue</b>		
<b>Distribution to Department of the Interior</b>		
National Park Service Conservation Funds	\$ 1,049,000	\$ 1,046,941
Bureau of Reclamation	1,454,181	1,964,133
Minerals Management Service	2,332,550	2,931,053
Bureau of Land Management	37,445	69,917
Fish and Wildlife Service	1,407	2,747
<b>Distribution to Other Federal Agencies</b>		
Department of the Treasury	4,430,239	17,620,162
Department of Agriculture	82,950	101,870
Department of Commerce	-	27
Department of Energy	318,537	1,650,027
<b>Distribution to Indian Tribes and Agencies</b>	-	140,147
<b>Distribution to States and Others</b>	55,889	107,098
<b>Change in Untransferred Revenue</b>	(448,309)	(279,401)
<b>Royalty Credits Redeemed</b>	6,273	16,464
<b>Total Disposition of Revenue</b>	<b>\$ 9,320,162</b>	<b>\$ 25,371,185</b>
<b>Net Custodial Activity</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of these financial statements.

# NOTES TO PRINCIPAL FINANCIAL STATEMENTS

*For the years ended September 30, 2009 and 2008*

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

The U.S. Department of the Interior is a Cabinet-level agency of the Executive branch of the Federal government. Created in 1849 by Congress as the Nation's principal conservation agency, Interior has responsibility for most of the Nation's publicly owned lands and natural resources. Interior protects and manages the Nation's natural resources and cultural heritage; provides scientific and other information about those resources; and, honors its trust responsibilities or special commitments to American Indians, Alaska Natives, and affiliated island communities.

The accompanying financial statements include all Federal funds under Interior's control or which are a component of the reporting entity, including Conservation Funds (Land and Water Conservation Fund, Historic Preservation Fund, and Environmental Improvement and Restoration Fund), and Custodial Funds. A summary of fiduciary activities managed by Interior is included in Note 22. Fiduciary Assets are not assets of Interior and are not recognized on the balance sheet. The financial statements included herein also do not include the effects of centrally administered assets and liabilities related to the Federal government as a whole, such as public borrowing or certain tax revenue, which may in part be attributable to Interior.

### B. Organization and Structure of Interior

Interior is composed of the following eight operating Bureaus and the Departmental Offices:

- ◆ National Park Service (NPS) (includes the Land and Water Conservation Fund and Historic Preservation Fund)
- ◆ U.S. Fish and Wildlife Service (FWS)
- ◆ Bureau of Land Management (BLM)
- ◆ Bureau of Reclamation (BOR)
- ◆ Office of Surface Mining Reclamation and Enforcement (OSM)
- ◆ Minerals Management Service (MMS) (includes the Environmental Improvement and Restoration Fund)
- ◆ U.S. Geological Survey (USGS)
- ◆ Indian Affairs (IA)
- ◆ Departmental Offices (DO)

The U.S. Bureau of Mines (BOM) was closed in 1996. Although it no longer exists, certain transactions and data related to BOM programs and activities are reflected in Interior's FY 2009 and FY 2008 financial statements and notes.

### C. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost, changes in net position, budgetary resources, and custodial activities of Interior as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. These financial statements have been prepared from the books and records of Interior in accordance with generally accepted accounting principles (GAAP) and Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official standard-setting body for the Federal Government. These financial statements present proprietary and budgetary information. Interior, pursuant to OMB directives, prepares additional financial reports that are used to monitor and control Interior's use of budgetary resources.

OMB financial statement reporting guidelines require the presentation of comparative financial statements for all of the principal financial statements. Interior has presented comparative FY 2009 financial statements for the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and Statement of Custodial Activity.

In FY 2009 the Wildland Fire Program transferred from BLM to DO. The previous year (FY 2008) amounts in Note 17 (Intragovernmental Costs and Exchange Revenue by Responsibility Segment) have been updated to reflect this change for comparative purposes. It should be noted, however, that the Wildland Fire Program was actually managed by BLM in FY 2008 and DO in FY 2009.

Throughout the financial statements and notes, certain assets, liabilities, earned revenue, and costs have been classified as intragovernmental which is defined as exchange transactions made between two reporting entities within the Federal government.

Interior adopted FASAB's *Statement of Federal Financial Accounting Standard (SFFAS) 30, Inter-Entity Cost Implementation Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*, which requires full recognition of these inter-entity costs effective October 1, 2008.

The accounting structure of Federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred without regard to receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

#### D. Fund Balance with Treasury and Cash

Interior maintains all cash accounts with the U.S. Department of the Treasury except for imprest fund accounts. Treasury processes cash receipts and disbursements on behalf of Interior and Interior's accounting records are reconciled with those of Treasury on a monthly basis.

The Fund Balance with Treasury includes several types of funds available to pay current liabilities and finance authorized purchases, as well as funds restricted until future appropriations are received.

**General Funds.** These funds consist of expenditure accounts used to record financial transactions arising from Congressional appropriations, as well as receipt accounts.

**Special Funds.** These accounts are credited with receipts from special sources that are earmarked by law for a specific purpose. These receipts are available for expenditure for special programs, such as providing housing for employees on field assignments, operating science and cooperative programs, etc.

**Revolving Funds.** These funds conduct continuing cycles of business-like activity, in which the fund charges for the sale of products or services and uses the proceeds to finance spending, usually without requirement for annual appropriations.

**Trust Funds.** These funds are used for the acceptance and administration of funds contributed from public and private sources and programs

and in cooperation with other Federal and State agencies or private donors.

**Other Fund Types.** These include miscellaneous receipt accounts, transfer accounts, performance bonds, deposit and clearing accounts maintained to account for receipts and disbursements awaiting proper classification.

The cash amount includes balances held by private banks and investing firms, change-making funds maintained in offices where maps are sold over the counter, and imprest funds.

#### E. Investments, Net

Interior invests funds in Federal government and public securities on behalf of various Interior programs and for amounts held in certain escrow accounts. The Federal government securities include marketable Treasury securities and nonmarketable par value or nonmarketable, market-based securities issued by the Federal Investment Branch of the Bureau of the Public Debt. *Par value securities* are special issue bonds or certificates of indebtedness that bear interest determined by legislation or Treasury. *Market-based securities* are Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms.

*Public securities* include, but are not limited to, marketable securities issued by government-sponsored entities and consist mainly of various mortgage instruments, bonds, and bank notes. Interior generally invests in mortgage instruments issued by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

It is expected that investments will be held until maturity; therefore, they are valued at cost and adjusted for amortization of premiums and discounts, if applicable. The premiums and discounts are recognized as adjustments to interest income, utilizing the straight-line method of amortization for short-term securities (i.e., bills) and the interest method for longer-term securities (i.e., notes). Interest on investments is accrued as it is earned.

The market value is estimated by multiplying the total number of shares by the market price on the last day of the fiscal year.

Investments are exposed to various risks such as interest rate, market, and credit risks. Such risks, and the resulting investment security values, may be

influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the market values of investments reported.

**F. Accounts and Interest Receivable, Net**  
**Accounts and Interest Receivable** consists of amounts owed to Interior by other Federal agencies and the public. Federal accounts receivable arise generally from the provision of goods and services to other Federal agencies and, with the exception of occasional billing disputes, are considered to be fully collectible. The Federal accounts receivable also includes custodial amounts remitted to Treasury at the end of the year in accordance with legislation and due back from Treasury in the following year for disbursement to States and refunds to oil companies. Receivables from the public generally arise either from the provision of goods and services or from the levy of fines and penalties resulting from Interior's regulatory responsibilities. An allowance for doubtful accounts is established for reporting purposes based on past experience in the collection of accounts receivable and analysis of outstanding balances.

**G. Loans and Interest Receivable, Net**  
**Intragovernmental Loans.** Interior has a restricted, unavailable receipt fund entitled Interior Reclamation Fund into which is deposited a substantial portion of revenues (mostly repayment of capital investment costs, associated interest, and operating/maintenance reimbursements from water and power users) and receipts from other Federal agencies (primarily revenues from certain Federal mineral royalties and hydropower transmissions). No expenditures are made directly from the Reclamation Fund; however, funds are transferred from the Reclamation Fund into Interior's appropriated expenditure funds or other Federal agencies pursuant to specific appropriation acts authorized by the Congress.

The funds transferred from the Reclamation Fund to the other Federal agencies are primarily for the purpose of funding operating and maintenance and capital investment activities at Western Area Power Administration (Western), a component of the Department of Energy (DOE). Western recovers the capital investments, associated interest, and operating and maintenance costs through future power rates, and subsequently remits amounts to the Reclamation Fund.

The Bonneville Power Administration (BPA), also a component of DOE, is responsible for the transmission and marketing of hydropower generated at BOR facilities located in the Pacific Northwest region. Unlike Western, BPA does not receive appropriations from the Reclamation Fund, but they legislatively assumed the repayment obligation for the appropriations used to construct BOR's hydropower generation facilities. This legislation, part of the BPA Appropriations Refinancing Act, requires BPA to recover BOR's appropriations related to hydropower generation facilities, plus interest, and to deposit these recoveries into the Reclamation Fund.

The amounts transferred to Western and BPA are recorded as receivables at the time of the transfer as Western and BPA are required to repay Interior. Interior reduces the receivables at the time payments are received from Western and BPA.

**Loans with the Public.** Loans are accounted for as receivables after the funds have been disbursed. For loans obligated on or after the effective date of the Credit Reform Act, October 1, 1991, the amount of the Federal loan subsidy is computed. The loan subsidy includes estimated delinquencies and defaults, net of recoveries, the interest rate differential between the loan rates and Treasury borrowings, offsetting fees, and other estimated cash flows associated with these loans. The value of loans receivable is reduced by the present value of the expected subsidy costs. The allowance for subsidy cost is reestimated annually.

For loans obligated prior to October 1, 1991, principal, interest, and penalties receivable are presented net of an allowance for estimated uncollectible amounts. The allowance is based on past experience, present market conditions, an analysis of outstanding balances, and other direct knowledge relating to specific loans.

Loans are exposed to various risks such as interest rate and credit risks. Such risks, and the resulting loans, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is at least reasonably possible that changes in the collectibility of loans will occur in the near term and that such changes could affect the collectibility of loans reported.

**H. Inventory and Related Property, Net**  
 Interior's inventory and related property is primarily composed of published maps; gas and storage rights; operating supplies for the Working Capital Fund; airplane parts and fuel; and recoverable, below-ground, crude helium. These inventories



were categorized based on Interior's major activities and the services Interior provides to the Federal Government and the public. There are no restrictions on these inventories.

The USGS maintains maps and map products that are located at several Earth Science Information Centers across the United States. All inventory products and materials are valued at historical cost, using a method of averaging actual costs to produce like-kind scale maps within the same fiscal year. The USGS estimates an allowance for excess, spoiled, and obsolete map inventory to arrive at a net realizable value, based on inventory turnover and current stock levels.

The BLM maintains a helium stockpile inventory which is stored in a partially depleted natural gas reservoir. The inventory is valued at cost and the volume of helium is accounted for on a perpetual basis. Annually, the volume is verified by collecting reservoir data and using generally accepted petroleum engineering principles to calculate the volume. The values shown for stockpile helium are net of the estimated unrecoverable amount, so no allowance is required. Gas and storage rights for the storage of helium are recorded at historical cost.

Under the Helium Privatization Act of 1996, Interior is authorized to store, transport, and withdraw crude helium and maintain and operate crude helium storage facilities that were in existence when the Helium Privatization Act was enacted. Interior also has the authority to sell crude stockpile helium until January 1, 2015.

Aircraft fuel and parts are held in inventory as operating materials to be consumed and are valued at historical cost, based on the moving average cost method. The value of this inventory is adjusted based on the results of periodic physical inventories.

Interior's Working Capital Fund maintains an inventory of operating materials that will be consumed during future operations and is stated at historical cost using the weighted average cost method. These operating materials are maintained for sign construction, employee uniforms, and Interior's standard forms functions.

**I. General Property, Plant, and Equipment, Net General Purpose Property, Plant, and Equipment.** General purpose property, plant, and equipment (PP&E) consists of buildings, structures, and facilities used for general operations, power, irrigation, fish protection, wildlife enhancement, and recreation; land and

land improvements acquired for general operating purposes; equipment, vehicles, and aircraft; construction in progress; capital leases; leasehold improvements; and, internal use software.

All general purpose PP&E are capitalized at acquisition cost and depreciated using the straight-line amortization method over the assigned useful lives of the property. Buildings, structures, and facilities are depreciated over a useful life from 10 to 80 years with, the exception of dams and certain related property, which are depreciated over useful lives of up to 100 years. Equipment, vehicles, and aircraft are depreciated over useful lives generally ranging from 2 to 50 years. Capital leases and leasehold improvements are amortized over the life of the lease.

For land, buildings, structures, land improvements, leasehold improvements, and facilities purchased prior to October 1, 2003, capitalization thresholds were established by the individual bureaus and generally ranged from \$50,000 to \$500,000. For these same items purchased subsequent to September 30, 2003, Interior has established a capitalization threshold of \$100,000 with the exception of dams and certain related property, which are fully capitalized. An administrative site may contain more than one building, structure, or facility, but it is always bounded by a defined perimeter or an established boundary.

For equipment, vehicles, aircraft, and capital leases of other personal property, Interior has established a capitalization threshold of \$15,000. There are no restrictions on the use or convertibility of Interior's general purpose PP&E.

In accordance with the implementation guidance for SFFAS 6, *Accounting for Property, Plant, and Equipment*, Interior recorded certain general PP&E acquired on or before September 30, 1996, at its estimated net book value (i.e., gross cost less accumulated depreciation) or its estimated gross cost. Interior estimated these costs and net book values based on available historic supporting documents, current replacement cost deflated to date of acquisition, and the cost of similar assets at the time of acquisition.

**Construction in Progress.** Construction in Progress (CIP) is used for the accumulation of the cost of construction or major renovation of fixed assets during the construction period. The assets are transferred out of CIP when the project is substantially completed.

CIP also includes projects in abeyance. In past years, Interior began construction on 12 projects located in California, Colorado, Arizona, Washington, North Dakota, and South Dakota, for which activities were placed in abeyance. These projects were authorized to provide various benefits, among them irrigation, fish and wildlife conservation and enhancement, recreation, municipal water supplies, and flood control. Until Congressional disposition of these assets is determined, maintenance costs have been and will continue to be budgeted and expended to minimize the erosive effects of time and weather and to keep the asset ready for completion.

**Internal Use Software.** Internal use software includes purchased commercial off-the-shelf (COTS) software, contractor-developed software, and software that was internally developed by agency employees. Internal use software is capitalized at cost if the acquisition cost is \$100,000 or more.

**Stewardship Assets.** Stewardship assets consist of public domain land and heritage assets such as national monuments and historic sites that have been entrusted to Interior to be maintained in perpetuity for the benefit of current and future generations.

The majority of public lands, presently under the management of Interior were acquired by the Federal Government during the first century of the Nation's existence and are considered stewardship land. A portion of these lands has been reserved as national parks, wildlife refuges, and wilderness areas, while the remainder is managed for multiple uses. Interior is also responsible for maintaining a variety of cultural and natural heritage assets, which include national monuments, historic structures, and library and museum collections.

The stewardship land and heritage assets managed by Interior are considered priceless and irreplaceable. As such, Interior assigns no financial value to them and the PP&E capitalized and reported on the Balance Sheet excludes these assets. Note 9, Stewardship Assets, provides additional information concerning stewardship land and heritage assets. The Required Supplementary Information Section provides information on the condition of stewardship land and heritage assets.

## J. Advances and Prepayment

Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenditures/operating expenses when the related goods and services are received.

## K. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by Interior as the result of a transaction or event that has already occurred. No liability can be paid by Interior absent an appropriation of funds by Congress. Liabilities for which an appropriation has not been enacted are, therefore, disclosed as liabilities not covered by budgetary resources or unfunded liabilities. The liquidation of liabilities not covered by budgetary or other resources is dependent on future congressional appropriations or other funding. There is no legal certainty that the appropriations will be enacted.

Interior estimates certain accounts payable balances based on past history of payments in current periods that relate to prior periods or on a current assessment of services/products received but not paid.

### **Environmental and Disposal Liabilities.**

Interior has a responsibility to remediate the sites on Interior land that have environmental contamination; and, it is party to various administrative proceedings, legal actions, and tort claims which may result in settlements or decisions adverse to the Federal Government. Interior has accrued environmental liabilities when losses are determined to be probable and the amounts can be estimated. Such liabilities are probable when the government is responsible for creating the hazard or is otherwise legally liable to clean up the contamination.

When Interior is not legally liable, but chooses to accept financial responsibility, it is considered government-acknowledged. When Interior accepts financial responsibility for cleanup, has an appropriation for the cleanup, and has begun incurring cleanup costs, then any unpaid amounts for work performed are reported as accounts payable.

Changes in cleanup cost estimates are recorded based on progress made in and revision of the cleanup plans, assuming current technology, laws, and regulations.

**Contingent Liabilities.** Contingent liabilities are liabilities where the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. Interior recognizes contingent liabilities when the liability is probable and reasonably estimable. Interior discloses contingent liabilities in the notes to the financial statements when the conditions for

liability recognition are not met and when the outcome of future events is more than remote. In some cases, once losses are certain, payments may be made from the Judgment Fund maintained by Treasury rather than from amounts appropriated to Interior.

## L. Revenues and Financing Sources

**Appropriations.** Congress appropriates the majority of Interior's operating funds from the general receipts of the Treasury. These funds are made available to Interior for a specified time period (one or more fiscal years) or until expended. Appropriations are reflected as a financing source entitled "Appropriations Used" on the Statement of Changes in Net Position once goods and services have been received. Appropriations are reported as apportioned on the Statement of Budgetary Resources when authorized by legislation.

### **Exchange and Non-Exchange Revenue.**

Interior classifies revenues as either exchange revenue or non-exchange revenue.

*Exchange revenues* are those transactions in which Interior provides goods and services to another party for a price. These revenues are presented on the Statement of Net Cost and serve to offset the costs of these goods and services.

*Non-exchange revenues* result from donations to the government and from the government's sovereign right to demand payment, including taxes, fines for violation of environmental laws, and abandoned mine land duties charged per ton of coal mined. These revenues are not considered to reduce the cost of Interior's operations and are reported on the Statement of Changes in Net Position.

In certain cases, the prices charged for goods and services by Interior are set by law or regulation, which for program and other reasons may not represent full cost (e.g., grazing fees, park entrance, and other recreation fees). Prices set for products and services offered through working capital funds are intended to recover the full costs (cost, plus administrative fees) incurred by these activities.

Interior transfers a portion of royalty collections from the custodial fund to the operating funds for distribution to certain States. In accordance with SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Account*, Interior reports these State amounts as "Royalties Retained," another budgetary financing source on the Statement of Changes in Net Position, rather than

on the Statement of Net Cost, because MMS and BOR incurred minimal costs in earning this revenue.

**Custodial Revenue.** Interior's Minerals Revenue Management (MRM), administered by MMS, collects royalties, rents, bonuses, and other receipts for Federal oil, gas, and mineral leases. MRM distributes the proceeds in accordance with legislated allocation formulas to U.S. Treasury accounts, other Federal agencies, states, and coastal political subdivisions. Interior is authorized to retain a portion of the custodial rental income collected to fund operating costs. Interior records custodial revenue based on accounts reported by producers. Custodial revenue is reported when the government has a legal claim to the revenue.

The royalty accrual, included in accounts receivable, represents royalties on September production of oil and gas leases for which Interior subsequently receives payment in October and November. The royalty accrual is estimated based on an analysis of the last 12 months of royalty activity and recent events. Interior does not record a liability for potential overpayments and refunds until requested by the payor or until Interior completes a compliance audit and determines the refundable amount. This is in accordance with the Federal Oil and Gas Royalty Management Act of 1982.

**Royalty-in-Kind (RIK).** Interior, under the provisions of the Mineral Lands Leasing Act of 1920 and the Outer Continental Shelf Lands Act of 1953, may take part or all of its oil and gas in RIK (a volume of the commodity) rather than to in value (cash). Interior may either transfer the volume of oil or gas commodity taken in-kind to Federal agencies for internal use or sell the commodity on the open market at fair market value and transfer the cash received. Interior reflects RIK as mineral lease revenue on the Statement of Custodial Activity.

On September 16, 2009, Secretary Salazar announced the orderly termination of the RIK program. MMS is currently developing a phase-out plan that will eliminate the RIK program in a deliberate, transparent, and orderly fashion. All current RIK contracts will be executed through the existing contract termination date; and, when the termination date is reached, Federal royalties previously paid in-kind will revert to being paid as royalty-in-value. Both RIK and royalty-in-value collections are reported as rents and royalties on the Statement of Custodial Activities.

Interior assisted the Administration's initiative to fill the Strategic Petroleum Reserve and transferred to the Department of Energy (DOE) royalty oil

received-in-kind from Federal leases in the Gulf of Mexico. Interior determines the value of the commodity transferred using the fair market value on the date of transfer. Interior reports these transfers as mineral lease revenue distributed to DOE on the Statement of Custodial Activity.

**Imputed Financing Sources.** In certain instances, operating costs of Interior are paid out of funds appropriated to other Federal agencies. For example, the Office of Personnel Management (OPM), by law, pays certain costs of retirement programs, and certain legal judgments against Interior are paid from the Judgment Fund maintained by Treasury. When costs that are identifiable to Interior and directly attributable to Interior's operations are paid for by other agencies, Interior recognizes these amounts as operating expenses. In addition, Interior recognizes an imputed financing source on the Consolidated Statement of Changes in Net Position to indicate the funding of Interior operations by other Federal agencies.

**Advances and Deferred Revenue.** Advances and deferred revenue received from Federal agencies primarily represent cash advances for shared administrative services and products to be provided to Federal agencies. Advances and deferred revenue from the public represent liabilities to perform services or deliver goods to customers that have remitted payment in advance.

#### **M. Personnel Compensation and Benefits**

**Annual and Sick Leave Program.** Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefit costs. An unfunded liability is recognized for earned but unused annual leave since, from a budgetary standpoint, this annual leave will be paid from future appropriations when the leave is used by employees rather than from amounts that were appropriated to Interior as of the date of the financial statements. The amount accrued is based upon current pay rates of the employees. Sick leave and other types of leave are expensed when used and no liability is recognized for these amounts, as employees do not vest in these benefits.

**Federal Employees Workers' Compensation Program (FECA).** FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the Department of Labor (DOL), which pays valid

claims and subsequently seeks reimbursement from Interior for these paid claims.

The FECA liability consists of two components. The first component is based on actual claims paid by DOL but not yet reimbursed by Interior. Interior reimburses DOL for the amount of the actual claims as funds are appropriated for this purpose. There is generally a 2 to 3 year lag between payment by DOL and reimbursement by Interior. As a result, Interior recognizes a liability for the actual claims paid by DOL and to be reimbursed by Interior.

The second component is the estimated liability for future benefit payments as a result of past events. This liability includes death, disability, medical, and miscellaneous costs. DOL determines this component annually, as of September 30, using a method that considers historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. Interior recognizes an unfunded liability to DOL for these estimated future payments. The projected annual benefit payments are discounted to present value using OMB's economic assumptions for 10-year Treasury notes and bonds. To provide for the effects of inflation on the liability, wage inflation factors (i.e., cost of living adjustments) and medical inflation factors (i.e., consumer price index medical adjustments) are applied to the calculation of projected future benefit payments. These factors are also used to adjust historical benefit payments to current-year constant dollars. A discounting formula is used to recognize the timing of benefit payments as 13 payments per year rather than an annual lump sum.

**Federal Employees Group Life Insurance Program (FEGLI).** Most Interior employees are entitled to participate in the FEGLI Program. Participating employees can obtain "basic life" term life insurance, with the employee paying two-thirds of the cost and Interior paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers this program and is responsible for the reporting of liabilities. For each fiscal year, OPM calculates the U.S. Government's service cost for the post-retirement portion of the basic life coverage. Because Interior's contributions to the basic life coverage are fully allocated by OPM to the preretirement portion of coverage, Interior has recognized the entire service cost of the postretirement portion of basic life coverage as an imputed cost and imputed financing source.



**Retirement Programs.** Interior employees participate in one of three retirement programs: (1) the Civil Service Retirement System (CSRS); (2) the Federal Employees Retirement System (FERS), which became effective on January 1, 1987; or (3) the United States Park Police (USPP) Pension Plan. The majority of Interior employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS. Employees covered by CSRS are not subject to Social Security taxes, nor are they entitled to accrue Social Security benefits for wages subject to CSRS.

For employees participating in FERS, Interior contributes an amount equal to 1 percent of the employee's basic pay to the tax deferred Thrift Savings Plan and matches employee contributions up to an additional 4 percent of pay. Employees participating in CSRS receive no matching contribution from Interior.

OPM is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to CSRS participants and FERS employees Government-wide, including Interior participants. Interior has recognized an imputed cost and imputed financing source for the difference between the estimated service cost and the contributions made by Interior and covered CSRS employees.

Police Officers hired by the NPS on or before December 31, 1985, participate in the USPP Pension Plan, which is administered by the District of Columbia. Each in-service member contributes 7 percent of his/her gross earnings. The normal retirement benefit is 2.5 percent for each year of service up to 20, with an additional 3 percent for each year beyond 20, but no more than an aggregate of 80 percent. Retirement is permitted after 20 years of service, but mandatory by the age of 60. Annual benefits paid from the USPP Pension Plan are funded on a pay-as-you-go basis through a permanent indefinite appropriation from the Treasury's General Fund.

Interior reports the USPP pension liability and associated expense in accordance with OMB guidance. Interior estimates the future cost to provide benefits to current and future retirees using economic assumptions and historical cost information. The estimate is adjusted by the time value of money and the probability of having to pay benefits due to assumed decrements for mortality, morbidity, and terminations.

The actuarial liabilities are measured during the fiscal year, with a *roll-forward* or projection to the end of the year, in accordance with Interpretation of Federal Financial Accounting Standards Interpretation 3, *Measurement Date for Pension and Retirement Health Care Liabilities*. The roll-forward considers all major factors that occurred during the reporting year, including any raises, cost-of-living allowances, and material changes in the number of participants.

## N. Federal Government Transactions

Interior's financial activities interact with and are dependent upon the financial activities of the centralized management functions of the Federal government. These activities include public debt and cash management activities and employee retirement, life insurance, and health benefit programs. The financial statements of Interior do not contain the costs of centralized financial decisions and activities performed for the benefit of the entire government. However, expenses have been recognized as expenses incurred by other agencies on behalf of Interior, including settlement of claims and litigation paid by Treasury's Judgment Fund and the partial funding of employee benefits by OPM.

Transactions and balances among Interior's entities have been eliminated from the Balance Sheet, the Statement of Net Cost, and the Statement of Changes in Net Position. As provided for by OMB Circular A-136, the Statement of Budgetary Resources is presented on a combined basis; therefore, intradepartmental transactions and balances have not been eliminated from this statement. Intradepartmental transactions have been eliminated within the Statement of Custodial Activity. In order to present all custodial activity, the distributions to the Interior's entities have not been eliminated on the Statement of Custodial Activity and the Statement of Changes in Net Position.

## O. Possessory Interest and Leasehold Surrender Interest (PI/LSI)

Interior has contracts with organizations that manage and operate hotels, lodges, restaurants, gift shops, and other concession operations at various parks. In accordance with legislation and the contracts, some of these concessioners have a possessory interest or leasehold surrender interest (PI/LSI) in certain real property construction or improvements that the concessioner pays for and Interior approves.

A concessioner's interest may be extinguished provided the concessioner is compensated for the PI/LSI in accordance with concession laws and contracts. At the end of the contract period, PI/LSI amounts are negotiated and either incorporated into new contracts or extinguished through payment. Payment for this interest has been made by a subsequent concessioner in most situations.

Interior does not report the assets used by concessioners in its financial statements because the concessioners control the benefits of the assets and have the responsibilities of the risks and maintenance of the assets. In addition, Interior does not report a PI/LSI liability at the time a concessioner receives PI/LSI because an event of financial consequence has not occurred. However, Interior does record a liability at the time that Interior decides to discontinue a concession operation or take possession of the assets.

Interior has concession agreements which contain provisions that provide for the establishment of escrow-type accounts to be used to develop, improve, and maintain visitor facilities. The concessioner periodically deposits a percentage of gross revenue in the account as provided in the concessioner agreement. These Special Account funds are maintained in separate interest-bearing bank accounts for the concessioners, are not assets of Interior, and may not be used in Interior operations.

Therefore, the balances, inflows, and outflows of these concessioner Special Accounts are not recognized in the financial statements.

#### **P. Liability for Capital Transfer to the General Fund of the Treasury**

Interior receives appropriations from Treasury's General Fund to construct, operate, and maintain various multipurpose projects. Many of the projects have reimbursable components, for which Interior is required to recover the capital investment and operating costs through user fees – mainly the sale of water and power. These recoveries are deposited in Treasury's General Fund.

Interior records a liability for appropriations determined to be recoverable from project beneficiaries. The liability is decreased when reimbursements are received from Interior's customers and subsequently transferred to Treasury's General Fund.

For additional information, see Note 21, Liability for Capital Transfer to the General Fund of the Treasury.

#### **Q. Earmarked Funds**

Earmarked funds are financed by specifically identified revenues and other financing sources. These funds are required by statute to be used for designated activities or purposes and must be accounted for separately from the Federal government's General Fund.

The Federal government does not set aside assets to pay future expenditures associated with earmarked funds. The cash generated from earmarked funds is used by the U.S. Treasury for general government purposes. Treasury securities are issued to the earmarked fund as evidence of earmarked receipts. These securities are an asset to the earmarked fund and are presented as investments in the table accompanying Note 20, Earmarked Funds. Treasury securities are a liability of the Treasury and are eliminated in the consolidation of the U.S. governmentwide financial statements. Treasury will finance any future redemption of the securities by an earmarked fund in the same manner that all other government expenditures are financed.

#### **R. Allocation Transfers**

Interior is a party to allocation transfers with other Federal agencies as both a transferring (parent) entity and a receiving (child) entity. Allocation transfers are legal delegations by one Department to obligate budget authority and outlay funds to another Department. A separate fund (allocation account) is created in Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account and subsequently obligations and outlays incurred by the child entity are charged to this allocation account as the child entities execute the delegated activity on behalf of the parent entity. All financial activity related to these allocation transfers is reported in the financial statements of the parent entity from which the underlying legislative authority, appropriations, and budget apportionments are derived. Interior allocated funds, as a parent, to the Department of Agriculture, the Department of Transportation, and the Corps of Engineers. Interior receives allocation transfers, as the child, from the Department of Agriculture, the Department of Health and Human Services, the Department of Labor, the Department of Transportation, the Corps of Engineers, the Department of Health and Human Services, and the U.S. Agency for International Development.

**S. Income Taxes**

As an agency of the Federal government, Interior is generally exempt from all income taxes imposed by any governing body, whether it be a Federal, state, commonwealth, local, or foreign government.

**T. Estimates**

Interior has made certain estimates and assumptions related to the reporting of assets, liabilities, revenues, expenses, and the disclosure of contingent liabilities to prepare these financial statements. Actual results could differ from these estimates.

**U. Fiduciary Activities**

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment and disposition by the Federal government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal government must uphold. Fiduciary cash and other assets are not assets of the Federal government and are not recognized on the balance sheet. Fiduciary activities are no longer recognized on the proprietary financial statements (see SFFAS 31, *Accounting for Fiduciary Activities*).

**NOTE 2. FUND BALANCE WITH TREASURY**

Fund Balance with Treasury by fund type as of September 30, 2009 and 2008, consists of the following:

<i>(dollars in thousands)</i>	FY 2009	FY 2008
General Funds	\$ 9,417,771	\$ 6,481,932
Special Funds	30,623,426	29,615,226
Revolving Funds	1,311,248	1,196,900
Trust Funds	167,285	184,544
Other Fund Types	208,987	454,362
<b>Total Fund Balance with Treasury by Fund Type</b>	<b>\$ 41,728,717</b>	<b>\$ 37,932,964</b>

Treasury performs cash management activities for all Federal agencies. The net activity represents Fund Balance with Treasury. The Fund Balance with Treasury represents the right of Interior to draw down funds from Treasury for expenses and liabilities.

The "Status of the Fund Balance with Treasury" may be classified as unobligated available, unobligated unavailable, and obligated. Unobligated funds, depending on budget authority, are generally available for new obligations in current operations. The unavailable balance also includes amounts appropriated in prior fiscal years, which are not available to fund new obligations. The obligated but not yet disbursed balance represents amounts designated for payment of goods and services ordered but not yet received; or goods and services received, but for which payment has not yet been made. The unavailable amounts are primarily comprised of funds in unavailable collection accounts, such as the Land and Water Conservation Fund and the Reclamation Fund, which are not

available to Interior for use unless appropriated by Congress.

Obligated and unobligated balances reported for the status of fund balance with Treasury do not agree with obligated and unobligated balances reported in the Combined Statement of Budgetary Resources because the budgetary balances are supported by amounts other than fund balance with Treasury, such as investments in Treasury securities.

The Fund Balances with Treasury are compared on a monthly basis to the balances in the general ledger. Differences are related to temporary timing differences between submission to Treasury and recognition in the general ledger; to child funds which are reported by parent funds both inside and outside of Interior; and, to funds shown in the Treasury accounts that are fiduciary in nature and therefore not included in agency general ledger balances.



Status of Fund Balance with Treasury as of September 30, 2009 and 2008, consists of the following:

<i>(dollars in thousands)</i>	FY 2009	FY 2008
Unobligated		
Available	\$ 7,390,640	\$ 4,519,599
Unavailable	182,717	225,145
Obligated Not Yet Disbursed	6,478,504	5,942,533
Subtotal	14,051,861	10,687,277
Fund Balance with Treasury Not Covered by Budgetary Resources		
Unavailable Receipt Accounts	27,507,009	26,835,521
Clearing and Deposit Accounts	169,847	410,166
Subtotal	27,676,856	27,245,687
Total Status of Fund Balance with Treasury	\$ 41,728,717	\$ 37,932,964

### NOTE 3. INVESTMENTS, NET

Investments as of September 30, 2009, consist of the following:

<i>(dollars in thousands)</i>	Cost	Net Amortized (Premium)/Discount	Investments, Net	Market Value Disclosure
U.S. Treasury Securities				
Marketable	\$ 61,070	\$ -	\$ 61,070	\$ 61,070
Nonmarketable, market-based	6,993,748	(26,653)	6,967,095	7,184,741
Total U.S. Treasury Securities	7,054,818	(26,653)	7,028,165	7,245,811
Accrued Interest	23,985	-	23,985	-
Total Non-Public Investments	7,078,803	(26,653)	7,052,150	7,245,811
Public Securities				
Marketable	23	-	23	23
Total Public Securities	23	-	23	23
Accrued Interest	-	-	-	-
Total Public Investments	23	-	23	23
Total Investments	\$ 7,078,826	\$ (26,653)	\$ 7,052,173	\$ 7,245,834

Investments as of September 30, 2008, consist of the following:

<i>(dollars in thousands)</i>	Cost	Net Amortized (Premium)/Discount	Investments, Net	Market Value Disclosure
U.S. Treasury Securities				
Marketable	\$ 124,675	\$ (1,059)	\$ 123,616	\$ 125,264
Nonmarketable, market-based	7,211,710	(14,714)	7,196,996	7,347,200
Total U.S. Treasury Securities	7,336,385	(15,773)	7,320,612	7,472,464
Accrued Interest	24,486	-	24,486	-
Total Non-Public Investments	7,360,871	(15,773)	7,345,098	7,472,464
Public Securities				
Marketable	199,238	45	199,283	199,637
Total Public Securities	199,238	45	199,283	199,637
Accrued Interest	2,230	-	2,230	-
Total Public Investments	201,468	45	201,513	199,637
Total Investments	\$ 7,562,339	\$ (15,728)	\$ 7,546,611	\$ 7,672,101

**NOTE 4. ACCOUNTS AND INTEREST RECEIVABLE, NET**

**Due From the Public, Net.** Accounts receivable due to Interior from the public may arise either from the sale of products and services or from the imposition of regulatory fines and penalties. Products and services sold by Interior are diverse and include mineral leases sold by MMS, from which royalties are then collected; the sale of water by BOR; water testing and other scientific studies conducted for State and local governments by USGS; remittance of fees from park concessioners collected by NPS; and, fees for irrigation and power services collected by IA. Fines and penalties are imposed by OSM, MMS, FWS, and other bureaus in the enforcement of various environmental laws and regulations. Unbilled receivables reflect work performed to date on agreements and uncollected revenue for royalties due subsequent to year-end, which will be billed in the future.

**Recovery of Reimbursable Capital Costs.**

BOR enters into long-term repayment contracts and water service contracts with non-Federal (public) water users that allow the use of irrigation and municipal and industrial (M&I) water facilities in exchange for annual payments to repay a portion of the Federal investment allocation to the construction of reimbursable irrigation and M&I water facilities. Also, power-marketing agencies enter into agreements with power users to recover capital investment costs allocated to power, on

BOR's behalf. Costs associated with multipurpose plants are allocated to the various purposes through a cost allocation process. Generally, only those costs associated with power, irrigation, and M&I water are reimbursable. The typical repayment contract is up to 40 years, but may extend to 50 years or more if authorized by Congress.

Unmatured repayment contracts are recognized on the Balance Sheet when the annual repayment amount is earned, at which time current accounts receivable and current period exchange revenue is recorded. As of September 30, 2009 and 2008, amounts not yet earned under unmaturing repayment contracts were \$2.7 billion.

**Due from Federal Agencies, Net.** Accounts receivable due from Federal agencies arise from the sale of products and services to other Federal agencies, including the sale of maps, the performance of environmental and scientific services, and administrative and other services. These reimbursable arrangements generally reduce the duplication of effort within the Federal government resulting in a lower cost of Federal programs and services. Substantially all receivables from other Federal agencies are considered to be collectible, as there is no credit risk. However, an allowance for doubtful accounts is used occasionally to recognize billing disputes.

Accounts and Interest Receivable from Federal entities consist of the following as of September 30, 2009 and 2008:

<i>(dollars in thousands)</i>	FY 2009	FY 2008
Accounts and Interest Receivable from Federal Agencies		
Billed	\$ 1,301,332	\$ 1,217,258
Unbilled	2,675,155	486,575
Total Accounts and Interest Receivable - Federal	\$ 3,976,487	\$ 1,703,833

Accounts and Interest Receivable from the Public consist of the following as of September 30, 2009 and 2008:

<i>(dollars in thousands)</i>	FY 2009	FY 2008
Total Billed Accounts and Interest Receivable - Public	\$ 242,752	\$ 999,792
Unbilled Accounts and Interest Receivable - Public	1,260,801	1,550,660
Total Accounts and Interest Receivable - Public	1,503,553	2,550,452
Allowance for Doubtful Accounts - Public	(276,739)	(970,147)
Total Accounts and Interest Receivable - Public, Net	\$ 1,226,814	\$ 1,580,305

**NOTE 5. INTRAGOVERNMENTAL LOANS AND INTEREST RECEIVABLE, NET**

Intragovernmental Loans and Interest Receivable, as of September 30, 2009 and 2008, are summarized as follows:

<i>(dollars in thousands)</i>	FY 2009	FY 2008
Principal	\$ 7,019,127	\$ 6,810,664
Interest	2,524,845	2,350,871
Cumulative Repayments	(6,183,514)	(6,075,917)
Allowance for Non-Reimbursable Costs	(21,702)	(21,702)
<b>Intragovernmental Loans and Interest Receivable, Net</b>	<b>\$ 3,338,756</b>	<b>\$ 3,063,916</b>

Interest rates vary by project and pertinent legislation, and range from 4.5 percent to 7.1 percent for FY 2009 and 4.9 percent to 7.4 percent for FY 2008. Repayment terms are generally over a period not to exceed 50 years from the time revenue producing assets are placed in service.

**NOTE 6. LOANS AND INTEREST RECEIVABLE, NET**

Direct loans and loan guarantees made prior to FY 1992 were funded by Congressional appropriation from general or special funds. These loans, referred to as liquidating loans, are reported net of an allowance for estimated uncollectible loans. Net loans receivable, or the value of the assets related to direct loans, is not necessarily equal to the proceeds that could be expected from selling these loans.

Direct loans and loan guarantees made after FY 1991 are accounted for in accordance with the loans. Under credit reform, loans are comprised of two components. The first component is borrowed requirements of the Federal Credit Reform Act (FCRA) of 1990 and are referred to as credit reform from Treasury with repayment provisions. The second component is for the subsidized portion of the loan and is funded by Congressional appropriation. FCRA provides that the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, estimated delinquencies and defaults, fee offsets, and other cash flows) associated with the direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed. While this component is not subject to repayment, the loan program receives appropriations to fund any increases in subsidy due to interest rate fluctuations and changes in default rate estimates.

Included in the financial statements is a subsidy reestimate computed at the end of the fiscal year. The amounts included in the consolidated financial statements are not reported in the budget until the following fiscal year.

The subsidy rates disclosed pertain only to the current year cohorts. These rates cannot be applied to direct loans or guarantees for loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans or guarantees for loans reported in the current year could result from disbursements of loans from both the current year and prior year cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

In FY 2009 and 2008 there were no other changes in economic conditions, other risk factors, legislation, credit policies, and assumptions that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy re-estimates. For FY 2009 and 2008, there were no additional loan appropriations; therefore, there is no budget subsidy rate.

**Indian Affairs.** IA provides guaranteed loans to Indian Tribes and organizations, Indian individuals, and Alaska Natives for economic development purposes. The IA loan program includes the Indian Direct Loan Program (which ceased providing loans in 1995), the Indian Loan Guarantee Program under the FCRA, and a Liquidating Fund for loans made prior to 1992.

Interest is accrued daily on the outstanding principal balance of direct and assigned loans based on a 360-day year for precredit reform loans and a 365-day year for credit reform loans. The interest rate charged on each loan is the Indian Financing Act rate that was effective at the time the loan was made. Interest is accrued on current and delinquent loans. Late fees accrue if a payment is received 15 days after its due date. For precredit reform

## NOTES TO PRINCIPAL FINANCIAL STATEMENTS

loans, the amount of interest and late fees receivable is reduced by an allowance for uncollectible accounts. For credit reform direct loans, the interest and late fees receivable are considered in the subsidy allowance account.

**Bureau of Reclamation.** BOR operates loan programs that provide Federal assistance to non-Federal organizations for constructing or improving water resource projects in the Western States. Reclamation's loan programs are authorized under the Small Reclamation Projects Act of 1956, the Distribution System Loans Act, the Rural Development and Policy Act of 1980, and the Rehabilitation and Betterment Act.

Other loans consist primarily of drought relief and repayment loans. The other loans receivable balances represent amounts due to BOR, net of an allowance for estimated uncollectible loan balances. The allowance is determined by management for loan balances where collectibility is considered to be uncertain based on various factors, including age, past experience, present market and economic conditions, and characteristics of debtors.

Loan interest rates vary depending on the applicable legislation; in some cases, there is no stated interest rate on agricultural and Native American loans. Interest on applicable loans does not accrue until the loan enters repayment status.

The subsidy expense reported for FY 2009 and FY 2008 includes a modification and technical reestimates. In FY 2007, the Ft. McDowell Yavapi Nation repayment obligation was cancelled in accordance with the Fort McDowell Indian

Community Water Rights Settlement Revision Act of 2006. In FY 2008, appropriations for this cancellation were received and the associated loan receivable was written off.

**Departmental Offices (DO).** DO has one postcredit reform loan to the American Samoa Government (ASG).

In 2001, a loan was extended to ASG. The total has been approved for \$18.6 million and made available to ASG bearing interest at a rate equal to the Treasury cost of borrowing for obligations of similar duration. The proceeds of the loan were used by ASG for debt reduction and fiscal reform. In FY 2005, Interior reserved the full loan amount based on a reassessment of the loan's collectibility.

**National Park Service.** NPS has a single noninterest bearing loan with the Wolf Trap Foundation for the Performing Arts with an original loan principal totaling \$8.56 million. The loan principal is to be repaid to the NPS within 25 years from June 1, 1991. The loan principal is repaid in equal annual installments of approximately \$360,000. Repayment of the loan principal may include a credit of up to \$60,000 annually for public service tickets given to entities exempt from taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986. In FY 2009 and 2008, NPS granted the full \$60,000 credit to Wolf Trap. The monies received in repayment of this loan may be retained by NPS until expended, in consultation with the Wolf Trap Foundation, for the maintenance of structures, facilities, and equipment of the park.

Outstanding loan balances, as of September 30, 2009 and 2008, are summarized as follows:

A. Direct Loan and Loan Guarantee Program Names: <i>(dollars in thousands)</i>	FY 2009	FY 2008
Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	\$ 10,471	\$ 11,596
Indian Affairs - Direct Loans (Credit Reform)	6,687	7,220
Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	86	100
Indian Affairs - Guaranteed Loans (Credit Reform)	1,354	466
Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	38,719	41,964
Bureau of Reclamation - Direct Loans (Credit Reform)	49,580	51,331
National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	2,159	2,518
Total Loans and Interest Receivable, Net	\$ 109,056	\$ 115,195

B. Direct Loans Obligated Prior to FY 1992: *(dollars in thousands)*

Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method):						
Direct Loan Programs (Pre-Credit Reform)		Loans Receivable Gross	Interest Receivable	Allowance For Loan Losses	Foreclosed Property	Direct Loans, Net
Indian Affairs - Direct Liquidating Loans		\$ 9,821	\$ 1,700	\$ (1,050)	\$ -	\$ 10,471
Bureau of Reclamation - Direct Loans		45,902	72	(7,255)	-	38,719
National Park Service - Wolf Trap Foundation		2,159	-	-	-	2,159
FY 2009	Total	\$ 57,882	\$ 1,772	\$ (8,305)	\$ -	\$ 51,349
Indian Affairs - Direct Liquidating Loans		\$ 10,436	\$ 1,777	\$ (617)	\$ -	\$ 11,596
Bureau of Reclamation - Direct Loans		49,146	73	(7,255)	-	41,964
National Park Service - Wolf Trap Foundation		2,518	-	-	-	2,518
FY 2008	Total	\$ 62,100	\$ 1,850	\$ (7,872)	\$ -	\$ 56,078

C. Direct Loans Obligated After FY 1991: *(dollars in thousands)*

Direct Loan Programs (Credit Reform)		Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost	Assets Related to Direct Loans
Indian Affairs - Direct Loans		\$ 4,954	\$ 215	\$ -	\$ 1,518	\$ 6,687
Bureau of Reclamation - Direct Loans		73,524	14,220	-	(38,164)	49,580
Departmental Offices - American Samoa Government		14,585	534	-	(15,119)	-
FY 2009	Total	\$ 93,063	\$ 14,969	\$ -	\$ (51,765)	\$ 56,267
Indian Affairs - Direct Loans		\$ 5,520	\$ 189	\$ -	\$ 1,511	\$ 7,220
Bureau of Reclamation - Direct Loans		77,351	-	-	(26,020)	51,331
Departmental Offices - American Samoa Government		16,422	254	-	(16,676)	-
FY 2008	Total	\$ 99,293	\$ 443	\$ -	\$ (41,185)	\$ 58,551

D. Subsidy Expense for Direct Loans by Program and Component: *(dollars in thousands)*

Modifications and Reestimates		Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Direct Loan Programs (Credit Reform)					
Indian Affairs - Direct Loans		\$ -	\$ (561)	\$ 664	\$ 103
Bureau of Reclamation - Direct Loans		-	-	(852)	(852)
FY 2009	Total	\$ -	\$ (561)	\$ (188)	\$ (749)
Indian Affairs - Direct Loans		\$ -	\$ (527)	\$ 693	\$ 166
Bureau of Reclamation - Direct Loans		-	-	949	949
FY 2008	Total	\$ -	\$ (527)	\$ 1,642	\$ 1,115
Total Direct Loan Subsidy Expense:					
Direct Loan Programs (Credit Reform)		FY 2009		FY 2008	
Indian Affairs - Direct Loans		\$ 103		\$ 167	
Bureau of Reclamation - Direct Loans		(852)		948	
Total		\$ (749)		\$ 1,115	

## NOTES TO PRINCIPAL FINANCIAL STATEMENTS

### E. Schedule for Reconciling Direct Loan Subsidy Cost Allowance Balances (Post-1991 Direct Loans): (dollars in thousands)

	FY 2009	FY 2008
Beginning balance of the subsidy cost allowance	\$ 41,185	\$ 55,239
Add: Subsidy expense for direct loans disbursed during the reporting years by component:		
(a) Interest rate differential costs	-	-
(b) Other subsidy costs	-	(1)
Total of the above subsidy expense components	-	(1)
Adjustments:		
(a) Loan modification	-	1,113
(d) Loans written off	11	(13,002)
(e) Subsidy allowance amortization	11,318	(3,960)
(f) Other	-	678
Ending balance of the subsidy cost allowance before reestimates	52,514	40,067
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	(561)	(527)
(b) Technical/default reestimate	(188)	1,642
Total of the above reestimate components	(749)	1,115
Ending balance of the subsidy cost allowance	\$ 51,765	\$ 41,182

### F. Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): (dollars in thousands)

	Loan Guarantee Programs (Pre-Credit Reform)	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance For Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
	Indian Affairs - Guaranteed Liquidating Loans	\$ 2,008	\$ 891	\$ -	\$ (2,813)	\$ 86
FY 2009	Total	\$ 2,008	\$ 891	\$ -	\$ (2,813)	\$ 86
	Indian Affairs - Guaranteed Liquidating Loans	\$ 2,287	\$ 1,059	\$ -	\$ (3,246)	\$ 100
FY 2008	Total	\$ 2,287	\$ 1,059	\$ -	\$ (3,246)	\$ 100

### G. Defaulted Guaranteed Loans from Post-1991 Guarantees (Present Value Method): (dollars in thousands)

	Loan Guarantee Program (Credit Reform)	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Asset Values Related to Defaulted Guaranteed Loans Rec., Net
	Indian Affairs - Guaranteed Loans	\$ 12,628	\$ 1,815	\$ -	\$ (13,089)	\$ 1,354
FY 2009	Total	\$ 12,628	\$ 1,815	\$ -	\$ (13,089)	\$ 1,354
	Indian Affairs - Guaranteed Loans	\$ 4,103	\$ 1,102	\$ -	\$ (4,739)	\$ 466
FY 2008	Total	\$ 4,103	\$ 1,102	\$ -	\$ (4,739)	\$ 466

## NOTES TO PRINCIPAL FINANCIAL STATEMENTS

### H. Guaranteed Loans Outstanding as of September 30, 2009: *(dollars in thousands)*

Guaranteed Loans Outstanding:		Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Loan Guarantee Programs			
Pre-1992		\$ 226	\$ 199
FY 1992		489	434
FY 1993		-	-
FY 1994		6,429	5,785
FY 1995		52	41
FY 1996		-	-
FY 1997		3,648	3,283
FY 1998		3,374	3,037
FY 1999		11,095	9,962
FY 2000		32,031	28,822
FY 2001		5,212	4,420
FY 2002		13,926	12,519
FY 2003		22,261	19,989
FY 2004		50,314	45,159
FY 2005		46,690	41,793
FY 2006		91,657	81,694
FY 2007		37,332	33,525
FY 2008		42,973	38,507
FY 2009		31,297	27,974
Total		\$ 399,006	\$ 357,143

New Guaranteed Loans Disbursed:		Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Loan Guarantee Programs			
Amount Paid in FY 2009 for Prior Years		\$ 47,261	\$ 42,535
Amount Paid in FY 2009 for 2009 Guarantees		31,316	28,185
FY 2009	Total	78,577	70,720

Amount Paid in FY 2008 for Prior Years		\$ 47,081	\$ 42,373
Amount Paid in FY 2008 for 2008 Guarantees		18,672	16,804
FY 2008	Total	65,753	59,177

### I. Liability for Loan Guarantees: *(dollars in thousands)*

Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 guarantees):

Loan Guarantee Programs		Liabilities for Losses on Pre-1992 Guarantees Estimated Future Default Claims	Liabilities for Loan Guarantees for Post-1991 Guarantees, Present Value	Total Liabilities for Loan Guarantees
Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)		\$ -	\$ 50,779	\$ 50,779
FY 2009	Total	\$ -	\$ 50,779	\$ 50,779

Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)		\$ -	\$ 36,180	\$ 36,180
FY 2008	Total	\$ -	\$ 36,180	\$ 36,180



## NOTES TO PRINCIPAL FINANCIAL STATEMENTS

### J. Subsidy Expense for Loan Guarantees by Program and Component: (dollars in thousands)

Subsidy Expense for New Loan Guarantees:						
	Loan Guarantee Programs (Credit Reform)	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
	Indian Affairs - Guaranteed Loans	\$ 3,352	\$ 3,595	\$ (1,409)	\$ -	\$ 5,538
FY 2009	Total	\$ 3,352	\$ 3,595	\$ (1,409)	\$ -	\$ 5,538
	Indian Affairs - Guaranteed Loans	\$ 2,186	\$ 2,976	\$ (1,183)	\$ -	\$ 3,979
FY 2008	Total	\$ 2,186	\$ 2,976	\$ (1,183)	\$ -	\$ 3,979

Modifications and Reestimates:					
	Loan Guarantee Programs (Credit Reform)	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
	Indian Affairs - Guaranteed Loans	\$ -	\$ 3,799	\$ 11,214	\$ 15,013
FY 2009	Total	\$ -	\$ 3,799	\$ 11,214	\$ 15,013
	Indian Affairs - Guaranteed Loans	\$ -	\$ (773)	\$ (3,344)	\$ (4,117)
FY 2008	Total	\$ -	\$ (773)	\$ (3,344)	\$ (4,117)

Total Loan Guarantee Subsidy Expense:			
	Loan Guarantee Programs (Credit Reform)	FY 2009	FY 2008
	Indian Affairs - Guaranteed Loans	\$ 20,551	\$ (138)
	Total	\$ 20,551	\$ (138)

### K. Subsidy Rates for Loan Guarantees by Program and Component:

	Loan Guarantee Programs (Credit Reform)	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
	Indian Affairs - Guaranteed Loans	5.0%	4.5%	-1.8%	0.0%	7.7%
FY 2009	Total	5.0%	4.5%	-1.8%	0.0%	7.7%
	Indian Affairs - Guaranteed Loans	3.0%	5.0%	-2.0%	0.0%	6.0%
FY 2008	Total	3.0%	5.0%	-2.0%	0.0%	6.0%

### L. Schedule for Reconciling Loan Guarantee Liability Balances: (dollars in thousands)

	FY 2009	FY 2008
Beginning balance of the loan guarantee liability	\$ 36,180	\$ 41,434
Add: Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
(a) Interest supplement costs	3,352	2,186
(b) Default costs (net of recoveries)	3,595	2,976
(c) Fees and other collections	(1,409)	(1,183)
Total of the above subsidy expense components	5,538	3,979
Adjustments:		
(a) Loan guarantee modification	-	-
(b) Fees received	1,122	996
(c) Interest supplements paid	(2,134)	(3,559)
(d) Claim payments to lenders	(7,561)	(101)
(e) Interest accumulation on the liability balance	2,544	2,039
(f) Other (recovery, revenue, and prior period adjustments)	76	(4,490)
Ending balance of the loan guarantee liability before reestimates	35,766	40,298
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	3,799	(773)
(b) Technical/default reestimate	11,214	(3,344)
Total of the above reestimate components	15,013	(4,117)
Ending balance of the loan guarantee liability	\$ 50,779	\$ 36,180

M. Administrative Expense: *(dollars in thousands)*

		Direct Loan Programs (Credit Reform)		Loan Guarantee Programs	
	Bureau of Reclamation	\$	138	Indian Affairs	\$ 1,560
FY 2009	Total	\$	138		\$ 1,560
	Bureau of Reclamation	\$	56	Indian Affairs	\$ 1,336
FY 2008	Total	\$	56		\$ 1,336

**NOTE 7. INVENTORY AND RELATED PROPERTY, NET**

Inventory and Related Property as of September 30, 2009 and 2008, consist of the following:

<i>(dollars in thousands)</i>	FY 2009	FY 2008
Inventory		
Published Maps Held for Current/Future Sale	\$ 7,564	\$ 7,770
Gas and Storage Rights Held for Current / Future Sales	882	890
Operating Materials		
Working Capital Fund: Inventory, Held for Use	3,359	2,372
Airplane Parts and Fuel, Held for Use	1,016	1,097
Stockpile Materials		
Recoverable Below-Ground Crude Helium Held in Reserve	7,235	7,235
Recoverable Below-Ground Crude Helium Held for Sale*	211,443	224,568
Total Inventory and Related Property	231,499	243,932
Allowance for Obsolescence	(7,135)	(7,285)
Inventory and Related Property, Net	\$ 224,364	\$ 236,647

\* The difference in carrying value and the estimated selling price of recoverable below ground crude helium held for sale is \$880,140 (\$1,091,583 – \$211,443). Valuation methods and other information regarding inventories are presented in Note 1(H).

**NOTE 8. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET**

PP&E categories with corresponding accumulated depreciation as of September 30, 2009, are shown in the following table:

FY 2009 (dollars in thousands)	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	\$ 2,150,650	\$ 89,045	\$ 2,061,605
Buildings	3,627,797	1,470,249	2,157,548
Structures and Facilities	20,616,461	9,842,522	10,773,939
Leasehold Improvements	62,823	30,679	32,144
Construction in Progress			
Construction in Progress - General	2,333,982	-	2,333,982
Construction in Progress in Abeyance	575,004	-	575,004
Equipment, Vehicles, and Aircraft	1,939,306	1,213,934	725,372
Assets Under Capital Lease	76,740	29,551	47,189
Internal Use Software:			
In Use	237,200	117,188	120,012
In Development	162,996	-	162,996
<b>Total Property, Plant, and Equipment</b>	<b>\$ 31,782,959</b>	<b>\$ 12,793,168</b>	<b>\$ 18,989,791</b>

PP&E categories with corresponding accumulated depreciation as of September 30, 2008, are shown in the following table:

FY 2008 (dollars in thousands)	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	\$ 2,104,991	\$ 81,216	\$ 2,023,775
Buildings	3,342,038	1,379,386	1,962,652
Structures and Facilities	20,259,351	9,591,410	10,667,941
Leasehold Improvements	64,263	26,061	38,202
Construction in Progress			
Construction in Progress - General	2,101,182	-	2,101,182
Construction in Progress in Abeyance	575,036	-	575,036
Equipment, Vehicles, and Aircraft	1,863,754	1,165,183	698,571
Assets Under Capital Lease	46,973	12,758	34,215
Internal Use Software:			
In Use	180,532	106,377	74,155
In Development	131,179	-	131,179
<b>Total Property, Plant, and Equipment</b>	<b>\$ 30,669,299</b>	<b>\$ 12,362,391</b>	<b>\$ 18,306,908</b>

## NOTE 9. STEWARDSHIP ASSETS

Interior's mission, in part, is to protect and manage the Nation's natural resources and cultural heritage. To ensure that these resources are preserved and sustained for the benefit and enjoyment of future generations, Congress has enacted legislation to assist in asset management.

The predominant laws governing the management of stewardship land are the NPS Organic Act and the Federal Land Policy and Management Act (FLPMA) of 1976. However, there are many other significant laws that provide additional guidance on various aspects of stewardship land. Combined, these laws direct the management of the land for the benefit of present and future generations.

One of the most significant laws, FLPMA, created the concept of multiple use. Management of public lands and their resources are used in a combination that best meets the present and future needs of the American people.

The preservation and management of heritage assets located on Federal lands or preserved in Federal and Nonfederal facilities is guided chiefly by the Antiquities Act of 1906; the Archaeological Resources Protection Act of 1979, as amended; Curation of Federally-Owned and Administered Archeological Collections; the Native American Graves Protection and Repatriation Act of 1990, the National Historic Preservation Act; and, Executive Order 13287 "Preserve America." These laws, however, are a sample of the many laws and regulations put in place to govern the preservation and management of cultural resources, some of which are reported by Interior as heritage assets.

Through these laws and regulations, Interior strives to preserve and manage stewardship land and heritage assets so that their value is preserved intelligently and that they are thoughtfully integrated into the needs of the surrounding communities. The cited legislation is implemented through Interior policy and guidance, whereby continuous program management evaluations and technical reviews ensure compliance.

### Stewardship Lands

Interior-administered stewardship lands encompass a wide range of activities, including recreation; conservation; resource extraction such as mining and oil and gas leasing; and, other functions vital to the health of the economy of the American people. These include National Parks, National Wildlife Refuges, Public Lands, and many other lands of national and historical significance.

Each bureau within Interior that administers stewardship lands serves to preserve, conserve, protect, and interpret how best to manage the Nation's natural, cultural, and recreational resources. Some of these stewardship lands have been designated as multiple-use, which Congress defines as management of both the land and the use of the land in a combination that will best meet the present and future needs of the American people. The resources and uses embraced by the multiple use concept include mineral development; natural, scenic, scientific, and historical values; outdoor recreation; livestock grazing; timber management; watersheds; and wildlife and fish habitat.

In general, units of stewardship land are added or deleted through Presidential, Congressional, or Secretarial action; the same authorizations are required to remove units from Interior stewardship lands. IA is in a unique position in that the land managed is Tribal/Reservation land that has been administratively designated to IA for a specific purpose that will benefit the Tribe. The land or land rights could be withdrawn/returned to the Tribe based on the terms of the initial agreement or subsequent agreements. Although the structures constructed on these lands may be considered operational in nature, the lands on which these structures reside are managed in a stewardship manner to provide services to the Tribe/Reservation. However, boundaries of individual units may be expanded or altered by fee title purchase, transfer of jurisdiction, gift, or withdrawal from the public domain. The change in boundaries of individual units occurs to enhance the purpose for which the unit exists.

For information on the condition of Stewardship Land, refer to the Required Supplementary Information section of the report.

## NOTES TO PRINCIPAL FINANCIAL STATEMENTS

Primary Land Management Categories	As of 10/1/2008	Increase	Decrease	As of 09/30/2009	As of 10/1/2007	Increase	Decrease	As of 09/30/2008
<b>IA</b> Regional Offices	12	-	-	12	12	-	-	12
<b>BLM</b> Geographic Management Areas	134	-	-	134	126	14	6	134
<b>BOR</b> Federal Water & Related Projects	142	1	2	141	145	-	3	142
<b>FWS</b> National Wildlife Refuges	548	2	-	550	548	-	-	548
<b>FWS</b> Coordination Areas	49	-	-	49	50	-	1	49
<b>FWS</b> Wetland Management Districts	37	-	-	37	37	-	-	37
<b>FWS</b> National Fish Hatcheries	67	-	1	66	67	-	-	67
<b>FWS</b> Fish Health Centers	9	-	9	-	9	-	-	9
<b>FWS</b> Fish Technology Centers	8	-	2	6	8	-	-	8
<b>FWS</b> Associated Fish Facilities	19	-	-	19	19	-	-	19
<b>NPS</b> Park Units	378	-	-	378	377	1	-	378
<b>OS</b> Commission Land	1	-	-	1	1	-	-	1
<b>Total Number of Units</b>	1,404	3	14	1,393	1,399	15	10	1,404

## Bureau Stewardship Lands

### Indian Affairs

**Regional Offices.** Land owned by IA generally consists of parcels located within the boundaries of Indian reservations which have been temporarily withdrawn for administrative uses and are held for the welfare of the Nation to be preserved and protected. IA has stewardship responsibility for the multiple-use management of lands held for the benefit of American Indians and Alaska Natives. IA manages its stewardship land by 12 administrative regional offices whose boundaries largely follow one or more state lines. Two exceptions are the Navajo region, which includes parts of Arizona, Utah, and New Mexico; and, the Eastern Oklahoma region, which includes the eastern section of Oklahoma.

### Bureau of Land Management

**Geographic Management Areas.** BLM reports its stewardship land by 12 "administrative" states whose boundaries largely follow one or more political state lines; the administrative states are further divided into 134 administrative management areas. Specific land use plans are developed and implemented for each of these administrative management areas to manage the land's resources for both present and future periods.

BLM is guided by principles of multiple use. Multiple uses include: domestic livestock grazing; fish and wildlife development and utilization; mineral exploration and production; rights-of-way; outdoor recreation; and, or timber production.

### Bureau of Reclamation

**Federal Water and Related Projects.** BOR stewardship land is used for Federal water and related projects that have been authorized and funded by Congress. These projects include dams, reservoirs, canals, laterals, and various other types of water related properties. The lands for these projects were withdrawn from the public domain to construct, operate, and maintain the projects. Recreational activities such as fishing, boating, camping, etc., may be authorized on these withdrawn lands.

In FY 2009, the Smith Fork Project was added and the Yampa White Project and Battlement Mesa Projects were removed (they reverted to Forest Service jurisdiction).

### Fish and Wildlife Service

Lands are acquired through a variety of methods, including withdrawal from the public domain, fee title purchase, transfer of jurisdiction, donation, or gift. FWS purchases land through two primary sources of funding: the Migratory Bird Conservation Fund and the Land and Water Conservation Fund. FWS lands are managed and used in accordance with the explicit purpose of the statutes that authorize acquisition or designation and that direct use and management of the land.

**National Wildlife Refuges (NWR).** NWR land is used for the fish, wildlife, and plants that depend on these lands for habitat. These lands are protected in perpetuity for as long as they remain in the NWR System. NWR land are managed to maintain their natural state, to mitigate adverse effects of actions previously conducted by others,

or to enhance existing conditions to improve benefits to fish, wildlife, and plant resources.

Two additional NWR units were added in FY 2009 due to Proclamation 8327, dated December 5, 2008 (Wake Island and Marianas Trench).

**Coordination Areas.** Coordination Area land is used as a wildlife management area that is made available to a state by cooperative agreement between FWS and a state agency having control over wildlife resources.

**Wetland Management Districts (WMD).** WMDs are important components of the NWR System. They differ from refuges, which frequently consist of a single contiguous parcel of land, in that they are generally scattered, small parcels of land. The primary use is to conserve waterfowl nesting and rearing habitats. WMDs consist of waterfowl production areas, wetland easements, or grassland easements.

**National Fish Hatcheries.** National Fish Hatchery land is used to rear various aquatic species in accordance with specific species management plans for the purpose of recovery, restoration, mitigation, or other special conservation effort and may include the release, transfer, or provision of refuge for, the species propagated.

**Fish Health Centers.** This land is used, in cooperation with federal, state, and tribal fishery managers, to identify and control fish pathogens and diseases, particularly in wild stocks. These facilities focus on providing core diagnostic, monitoring, and technical assistance services that are essential for maintaining healthy fish populations and reducing impacts of fish disease.

During FY 2009, FWS reduced the number of reported units for National Fish Hatcheries, Fish Health Centers, and Fish Technology Centers. The units were removed from reporting due to insufficient ownership interest or a long term lease arrangement. FWS also combined separated reported units co-located within the same fish hatchery complex.

**Fish Technology Centers.** This land is used to house applied research centers that provide leadership in science-based management of trust aquatic resources through the development of new concepts, strategies, and techniques to solve problems in hatchery operations and aquatic resource conservation.

**Associated Fish Facilities.** These land units are owned by the Federal government, but operated by some other entity (state agency, tribal conservation unit, etc.). FWS usually has limited management or oversight responsibility for these land units.

## National Park Service

**Park Units.** National Park units are used and managed in accordance with the statutes authorizing their establishment or directing their use and management. NPS conducts various activities to preserve and protect land resources and to mitigate the effects of activities previously conducted on or near parks that adversely affected the natural state of the land.

## Office of the Secretary/ Departmental Offices

**Utah Reclamation Mitigation and Conservation Commission.** This land is used for fish and wildlife habitat and recreation to replace or offset the loss in Utah of fish and wildlife resources and related recreational opportunities caused by the acquisition, construction, and operation of BOR project assets such as dams, power plants, roads, pipelines, aqueducts, operation and maintenance of buildings, and visitor centers.

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## Heritage Assets

Interior is steward for a large, varied, and scientifically important body of heritage assets, both non-collectible and collectible in nature.

Each bureau within Interior that administers stewardship lands serves to preserve, conserve, protect, and interpret the Nation's natural, cultural, and recreational resources. Some of these heritage assets have been designated as multiple-use, which Congress defines as management of both the land and the use of the land in a combination that will best meet the present and future needs of the American people. The resources and uses embraced by the multiple use concept include mineral development; natural, scenic, scientific, and historical values; outdoor recreation; livestock grazing; timber management; watersheds; and, wildlife and fish habitat.

## Non-Collectible Heritage Assets

Non-collectible heritage assets include historic buildings, structures, and sites; prehistoric structures and sites (better known as archeological sites); cultural landscapes; and, other resources. Some stewardship land assets are also included in non-collectible heritage assets, such as national parks and fish and wildlife refuges. In addition, subsets of lands within the National Park System may have additional heritage asset designations, such as wilderness areas and national natural landmarks. Heritage assets are added or withdrawn through Presidential, Congressional, or Secretarial designation.

For information on the condition of non-collectible heritage assets, refer to the Required Supplementary Information section of the report.

Descriptions of the types of non-collectible heritage assets are:

### ***Cooperative Management and Protection Area.***

BLM manages one congressionally designated cooperative management and protection area, the Steens Mountain Cooperative Management and Protection Area, located in southeastern Oregon. Cooperative and innovative management projects are maintained and enhanced by BLM, private landowners, tribes, and other public interest groups.

***Headwaters Forest Reserve.*** The Headwaters Forest Reserve, located in central Humboldt County, California, was acquired from private owners by BLM and the State of California. While title is held by BLM, this area is co-managed by BLM and the State of California to protect the stands of old-growth redwoods that provide habitat for a threatened seabird, the marbled murrelet, as well as the headwaters that serve as a habitat for the threatened Coho salmon and other fisheries.

### ***Lake Todatonten Special Management Area.***

Congress authorized the creation of the Lake Todatonten Special Management Area located in the interior of Alaska. Lake Todatonten, the central feature of this special management area, is particularly important to waterfowl which use the area for migration, staging, molting, and nesting. The lake and its surrounding hills are also home to moose, bear, and other furbearers and are managed by BLM.

***National Battlefield.*** A national battlefield is an area of land on which a single historic battle or

multiple historic battles took place during varying lengths of time. This general title includes national battlefields, national battlefield parks, national battlefield sites, and national military parks.

### ***National Conservation/Conservation Area.***

Congress designates national conservation areas so that present and future generations of Americans can benefit from the conservation, protection, enhancement, use, and management of these areas and enjoy their natural, recreational, cultural, wildlife, aquatic, archeological, paleontological, historical, educational, and/or scientific resources and values. National conservation/conservation areas are managed by BLM.

Four national conservation/conservation areas were added as a result of the Omnibus Public Land Management Act of 2009.

***National Historic Landmark.*** The Historic Sites Act of 1935 authorizes the Secretary of the Interior to designate national historic landmarks as the Federal Government's official recognition of the national significance of historic properties. These landmarks possess exceptional value or quality in illustrating or interpreting the heritage of the United States in history, architecture, archeology, technology, and culture. They also possess a high degree of integrity of location, design, setting, materials, workmanship, feeling, and association. The National Historic Landmark program is administered by NPS. National historic landmarks are managed by IA, BOR, FWS, BLM, and NPS.

Two national historic landmarks were added by Secretarial Order.

***National Historic Site.*** Usually, a national historic site contains a single historical feature that was directly associated with its subject. Derived from the Historic Sites Act of 1935, some historic sites were established by Secretaries of the Interior; but most have been authorized by acts of Congress.

Three national historic sites were removed from the inventory as a result of being renamed by Omnibus Public Land Management Act of 2009.

***National Historic Trail.*** Since the passage of the National Trails System Act in 1968, BLM and NPS have assumed responsibility over several national historic, recreation, or scenic trails designated by Congress. Designations include National Historic Trail, National Scenic Trail, and National Recreation Trail.



**National Historical Park.** This designation generally applies to historic parks that extend beyond single properties or buildings.

Three National Historic Sites were renamed national historic parks as a result of Omnibus Public Land Management Act of 2009.

**National Lakeshore.** A national lakeshore is a protected area of lakeshore that is maintained to preserve a significant portion of the diminishing shoreline for the benefit, inspiration, education, recreational use, and enjoyment of the public. Although national lakeshores can be established on any natural freshwater lake, the existing four are all located on the Great Lakes. National lakeshores closely parallel national seashores in character and use.

**National Memorial.** A national memorial is commemorative of a historic person or episode; it need not occupy a site historically connected with its subject.

One national memorial was removed and absorbed into a national monument as a result of Proclamation 8327, dated December 5, 2008.

**National Monument.** National monuments are normally designated by Congress to protect historic landmarks, historic and prehistoric structures, or other objects of historic or scientific interest on the public lands. The Antiquities Act of 1906 authorized the President to declare by public proclamation landmarks, structures, and other objects of historic or scientific interest situated on lands owned or controlled by the government to be national monuments. National monuments are managed by BLM, FWS, and NPS.

Six national monuments were added to the inventory as a result of Proclamation 8327, dated December 5, 2008, or the Omnibus Public Land Management Act of 2009.

**National Natural Landmark.** National natural landmarks are designated by the Secretary of the Interior. To qualify as a national natural landmark, the area must contain an outstanding representative example of the Nation's natural heritage, including terrestrial communities, aquatic communities, landforms, geological features, habitats of native plant and animal species, or fossil evidence of the development of life on earth and must be located within the boundaries of the United States, its Territories, or on the Continental

Shelf. The National Natural Landmark program is administered by the NPS. National natural landmarks are managed by BOR, FWS, NPS, and BLM.

**National Park.** Generally, national parks are large natural places that encompass a wide variety of attributes, sometimes including significant historic assets. Hunting, mining, and consumptive activities are not authorized.

**National Parkway.** The title parkway refers to a roadway and the parkland paralleling the roadway. All were intended for scenic motoring along a protected corridor and often connect cultural sites.

**National Preserve.** National preserves are areas having characteristics associated with national parks but in which Congress has permitted continued public hunting, trapping, oil/gas exploration, and extraction.

**National Recreation Area.** A national recreation area is an area designated by Congress to both assure the conservation and protection of natural, scenic, historic, pastoral, and fish and wildlife values and to provide for the enhancement of recreational values. National recreation areas are generally centered on large reservoirs and emphasize water-based recreation with some located near major population centers.

**National Recreation Trail.** See National Historic Trail section.

Two national recreation trails were added in FY 2009 as a result of the Omnibus Public Land Management Act of 2009.

**National Reserve.** National reserves are similar to national preserves; except that management may be transferred to local or state authorities.

**National River.** There are several variations to this category: national river and recreation area, national scenic river, wild river, etc. These rivers possess remarkable scenic, recreational, geologic, fish and wildlife, historic, cultural or other similar values and shall be preserved in a free-flowing condition – that they and their immediate environments shall be protected for the benefit and enjoyment of present and future generations.

**National Scenic Trail.** See National Historic Trail section.

## NOTES TO PRINCIPAL FINANCIAL STATEMENTS

Two national scenic trails were added as a result of the Omnibus Public Land Management Act of 2009.

**National Seashore.** A national seashore preserves shoreline areas as well as off-shore islands with natural and recreational significance with the dual goal of protecting precious, ecologically fragile land, while allowing the public to enjoy a unique resource. The national seashores are located on the Atlantic, Pacific, and Gulf coasts of the United States.

**National Trails System.** See National Historic Trail section.

**National Wild and Scenic River.** Rivers designated in the National Wild and Scenic Rivers System are classified in one of three categories (wild, scenic, and recreational), depending on the extent of development and accessibility along each section. In addition to being free flowing, these rivers and their immediate environments must possess at least one outstanding remarkable value—scenic, recreational, geologic, fish and wildlife, historic, cultural, or other similar values.

Non-Collectible Heritage Asset Categories	As of 10/1/2008	Increase	Decrease	As of 9/30/2009
Cooperative Management and Protection Areas	1	-	-	1
Headwaters Forest Reserve	1	-	-	1
Lake Todatonten Special Management Area	1	-	-	1
National Battlefield Parks	3	-	-	3
National Battlefield Sites	1	-	-	1
National Battlefields	11	-	-	11
National Conservation/Conservation Areas	13	4	-	17
National Historic Landmarks (NHL)	202	2	-	204
National Historic Sites	80	-	3	77
National Historic Trails	10	-	-	10
National Historical Parks	42	3	-	45
National Lakeshores	4	-	-	4
National Memorials	28	-	1	27
National Military Parks	9	-	-	9
National Monuments	90	6	-	96
National Natural Landmarks (NNL)	108	-	1	107
National Parks	58	-	-	58
National Parkways	4	-	-	4
National Preserves	18	-	-	18
National Recreation Areas	19	-	-	19
National Recreation Trails	95	2	-	97
National Reserves	2	-	-	2
National Rivers	5	-	-	5
National Scenic Trails	6	2	-	8
National Seashores	10	-	-	10
National Wild and Scenic Rivers	60	32	-	92
National Wildlife Refuges	548	2	-	550
Outstanding Natural Area	3	-	-	3
International Historic Sites	1	-	-	1
Wilderness Areas	321	35	-	356
Other	11	-	-	11
<b>Total</b>	<b>1,765</b>	<b>88</b>	<b>5</b>	<b>1,848</b>

As of 10/1/2007	Increase	Decrease	As of 9/30/2008
1	-	-	1
1	-	-	1
1	-	-	1
3	-	-	3
1	-	-	1
11	-	-	11
13	-	-	13
202	-	-	202
79	1	-	80
10	-	-	10
42	-	-	42
4	-	-	4
28	-	-	28
9	-	-	9
91	-	1	90
108	-	-	108
58	-	-	58
4	-	-	4
18	-	-	18
19	-	-	19
89	6	-	95
2	-	-	2
5	-	-	5
6	-	-	6
10	-	-	10
60	-	-	60
548	-	-	548
1	2	-	3
1	-	-	1
321	-	-	321
11	-	-	11
<b>1,757</b>	<b>9</b>	<b>1</b>	<b>1,765</b>

The increase of 32 units in the national wild and scenic rivers is a result of the Omnibus Public Land Management Act of 2009.

**National Wildlife Refuge.** NWR land is used for the benefit of fish, wildlife, and plants that depend on these lands for habitat benefit over both the short and long term. These lands are protected for as long as they remain in the NWR System.

Two national wildlife refuges were added as a result of Proclamation 8327, dated December 5, 2008.

**Outstanding Natural Area.** An outstanding natural area consists of protected lands to preserve exceptional, rare, or unusual natural characteristics and to provide for the protection or enhancement of natural, educational, or scientific values. These areas are protected by allowing physical and biological processes to operate, usually without direct human intervention. BLM manages three such areas.

**International Historic Site.** The lone international historic site, Saint Croix International Historic Site, is relevant to both U.S. and Canadian history and is managed by the NPS.

**Wilderness Area.** Wilderness areas are defined as a place where the earth and its community of life are untrammeled by man, where man himself is a visitor and does not remain. These areas are open to the public for purposes of recreational, scenic, scientific, educational, conservatorial, and historical use. Generally a wilderness area is greater than 5,000 acres and appears to have been affected primarily by the forces of nature, with human development substantially unnoticeable. Wilderness areas provide outstanding opportunities for solitude or primitive and unconfined types of recreation. Wilderness areas are managed by BLM, NPS, and FWS.

Thirty-five wilderness areas were added as a result of the Omnibus Public Land Management Act of 2009.

**Other.** This category includes those park units that cannot be readily included in any of the standard categories. Examples include: Catocin Mountain Park, Maryland; Constitution Gardens, District of Columbia; National Capital Parks in the District of Columbia, Maryland, and Virginia; the White House; the National Mall; and Wolf Trap National Park for the Performing Arts located in Virginia.

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## Collectible Heritage Assets

The Department is steward of a large, unique, and diversified collection of library holdings and museum collections.

### Library Collections

Library collections are added when designated by the Secretary, Congress, or the President. A library collection may be withdrawn if it is later managed as part of a museum collection, if legislation is amended, and/or if the park unit is withdrawn.

For information on the condition of library collections, refer to the Required Supplementary Information of the report.

**Departmental Offices.** DO manages the Interior Library. This library was created by Secretarial Order and the collections represent a national resource in the disciplines vital to the missions of the Department. The collection covers Native American culture and history, American history, national parks, geology, nature, wildlife management, public lands management, and law. In addition, the library's collection of online databases and access to other electronic information sources

enable departmental personnel and other researchers to access needed information from their computers. Departmental policy dictates that copies of all publications produced by or for its bureaus and offices will be deposited in the library collection.

**U.S. Geological Survey.** USGS library holdings, collected during more than a century of providing library services, are an invaluable legacy to the Nation. The Secretarial Order that founded the USGS decreed that copies of reports published by the USGS should be given to the library in exchange for publications of State and national geological surveys and societies. The USGS's four library collections provide scientific information needed by Interior researchers, as well as researchers of other government agencies, universities, and professional communities. Besides providing resources for USGS scientific investigations, the library collections provide access to geographical, technical, and historical literature in paper and electronic formats for the general public and the industry. These libraries are housed in Reston, Virginia; Menlo Park, California; Denver, Colorado; and, Flagstaff, Arizona.

## NOTES TO PRINCIPAL FINANCIAL STATEMENTS

**National Park Service.** NPS reports two libraries that are specifically designated as libraries in the

park's establishing legislation and are not managed as part of the park's museum collection.

	As of 10/1/2008	Increase	Decrease	As of 9/30/2009	As of 10/1/2007	Increase	Decrease	As of 9/30/2008
<b>Library Collections</b>	7	-	-	7	7	-	-	7

## Museum Collections

The Department of the Interior's museum property is intimately associated with the lands and cultural and natural resources for which Interior bureaus share stewardship responsibilities. Museum collections are held in both Federal and non-Federal facilities. Disciplines represented include art, ethnography, archeology, documents, history, biology, paleontology, and geology.

For information on the condition of museum collections, refer to the Required Supplementary Information section of the report.

Museum collections are organized by location for the purposes of physical accountability. Each bureau has the authority to add or remove an

individual museum collection unit based on its own discretion. No further approval is required for additions and deletions of a museum collection outside of the bureau.

Museum collections are housed in both Federal and nonfederal facilities in an effort to maximize awareness of and accessibility to the collections by the public and our bureaus' employees. Museum collections managed by Interior are important for both the intrinsic value and the usefulness in supporting Interior's mission of managing Federal land, cultural resources, and natural resources. Housing museum collections in non-federal facilities also allows for cost effective care by professionals in those facilities.

Museum Collections	As of 10/1/2008	Increase	Decrease	As of 9/30/2009	As of 10/1/2007	Increase	Decrease	As of 9/30/2008
Held at Interior Bureau Facilities	595	2	8	589	600	3	8	595
Held at Non-Interior Facilities	480	6	2	484	482	1	3	480
<b>Total</b>	<b>1,075</b>	<b>8</b>	<b>10</b>	<b>1,073</b>	<b>1,082</b>	<b>4</b>	<b>11</b>	<b>1,075</b>

## NOTE 10. ASSETS ANALYSIS

Assets of Interior include entity assets (unrestricted and restricted) and nonentity assets. Unrestricted assets are those available for use by Interior. Restricted assets, as defined by Interior, are certain large unavailable receipt funds that are only available for Interior use when appropriated by Congress. Nonentity assets are currently held by but not available to Interior and will be forwarded to Treasury or other agencies at a future date.

Entity restricted assets consist of the Land and Water Conservation Fund, the Historic Preservation

Fund, the Environmental Improvement and Restoration Fund, the Reclamation Fund, and other unavailable receipt funds. See Note 20, Earmarked Funds, for additional information on some of these funds.

Nonentity assets, restricted by nature, consist of MMS's custodial royalty activity, a portion of the Sport Fish Restoration and Boating Trust Fund that is held for others, amounts in deposit, miscellaneous receipts, special receipts, and budget clearing accounts held for others.

Interior's assets as of September 30, 2009, are summarized into the following categories:

<i>(dollars in thousands)</i>	Entity Unrestricted	Entity Restricted	Non Entity Restricted	FY 2009
Intragovernmental Assets:				
Fund Balance with Treasury	\$ 14,084,658	\$ 27,381,531	\$ 262,528	\$ 41,728,717
Investments, Net	5,325,772	1,659,230	67,148	7,052,150
Accounts and Interest Receivable	931,956	1,124	3,043,407	3,976,487
Loans and Interest Receivable, Net	-	3,338,756	-	3,338,756
Other				
Advances and Prepayments	4,622	-	-	4,622
Total Intragovernmental Assets	20,347,008	32,380,641	3,373,083	56,100,732
Cash	456	-	-	456
Investments, Net	23	-	-	23
Accounts and Interest Receivable, Net	193,711	5,638	1,027,465	1,226,814
Loans and Interest Receivable, Net	109,056	-	-	109,056
Inventory and Related Property, Net	224,364	-	-	224,364
General Property, Plant, and Equipment, Net	18,989,791	-	-	18,989,791
Other				
Advances and Prepayments	181,900	-	-	181,900
Net Power Rights	86,653	-	-	86,653
Subtotal	268,553	-	-	268,553
TOTAL ASSETS	\$ 40,132,962	\$ 32,386,279	\$ 4,400,548	\$ 76,919,789

Interior's assets as of September 30, 2008, are summarized into the following categories:

<i>(dollars in thousands)</i>	Entity Unrestricted	Entity Restricted	Non Entity Restricted	FY 2008
Intragovernmental Assets:				
Fund Balance with Treasury	\$ 10,936,133	\$ 26,485,878	\$ 510,953	\$ 37,932,964
Investments, Net	5,719,851	1,484,169	141,078	7,345,098
Accounts and Interest Receivable	837,912	815	865,106	1,703,833
Loans and Interest Receivable, Net	-	3,063,916	-	3,063,916
Other				
Advances and Prepayments	556	-	-	556
Total Intragovernmental Assets	17,494,452	31,034,778	1,517,137	50,046,367
Cash	474	-	-	474
Investments, Net	201,513	-	-	201,513
Accounts and Interest Receivable, Net	196,178	4,078	1,380,049	1,580,305
Loans and Interest Receivable, Net	115,195	-	-	115,195
Inventory and Related Property, Net	236,647	-	-	236,647
General Property, Plant, and Equipment, Net	18,306,908	-	-	18,306,908
Other				
Advances and Prepayments	94,355	-	-	94,355
Net Power Rights	97,503	-	-	97,503
Subtotal	191,858	-	-	191,858
TOTAL ASSETS	\$ 36,743,225	\$ 31,038,856	\$ 2,897,186	\$ 70,679,267

**NOTE 11. DEBT**

Intragovernmental debt to Treasury activity as of September 30, 2009 and 2008, is summarized as follows:

(dollars in thousands)	FY 2008 Beginning Balance	Borrowing / (Repayments), Net	FY 2008 Ending Balance	Borrowing / (Repayments), Net	FY 2009 Ending Balance
Helium Fund	\$ 764,204	\$ (120,000)	\$ 644,204	\$ (65,000)	\$ 579,204
Credit Reform Borrowings	93,009	(22,104)	70,905	(6,837)	64,068
Federal Financing Bank	794	(794)	-	-	-
Total Debt Due to Treasury	\$ 858,007	\$ (142,898)	\$ 715,109	\$ (71,837)	\$ 643,272

**A. Helium Fund - Bureau of Land Management**

The Helium Fund was established in the late 1950s and early 1960s to ensure that the Federal Government had access to a dependable supply of helium, which at that time was considered to be a critical defense commodity. Start-up capital was loaned to the helium program with the expectation that the capital would be repaid with the proceeds of sales to other Federal Government users of helium.

The principal reported in the following table reflects the net worth capital and retained earnings of the Helium Fund and the acquisition and construction of helium plants and facilities and other related purposes, including the purchase of helium. These amounts were due 25 years from the date the funds were borrowed. However, as funding has not been received to repay the amounts due, the amounts could not be repaid.

With the passage of the Helium Privatization Act of 1996, no further interest is being accrued on this debt. Interest on borrowing is compound interest on the principal described above, at rates determined by the Secretary of the Treasury. Consideration is given to the current average market yields of outstanding marketable obligations of the United States having maturities comparable to investments authorized. The interest rate was determined at the time of each borrowing.

Until FY 2002, Interior had generally paid \$10 million annually on its debt to Treasury. Due to increased revenue in the Helium Fund, as a result of the sale of stockpile crude helium, which began in March 2003 and will continue until January 1, 2015, Interior will repay Treasury amounts depending on annual revenues collected. The repayments will continue until the debt is repaid or until the stockpile crude helium sales cease. At that time the repayment plan will be revised.

**B. Intragovernmental Debt to Treasury under Credit Reform**

IA, BOR, and DO (Office of Insular Affairs) have borrowed funds from Treasury in accordance with the Federal Credit Reform Act of 1990 to fund loans under various loan programs.

**Indian Affairs**

The Federal Credit Reform Act (FCRA) authorizes IA to borrow from Treasury the amount of a direct loan disbursement, less the subsidy. The FCRA provides that the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, estimated delinquencies and defaults, fee offsets, and other cash flows) associated with the direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed.

Interest is accrued daily on the outstanding principal balance of direct and assigned loans based on a 365-day year for credit reform loans. The interest rate charged on each loan is the Indian Financing Act Rate that was effective at the time the loan was made and ranges from 4.38 percent to 10.25 percent. These loans have various maturity dates from 2009 to 2034.

**Bureau of Reclamation**

As discussed in Note 6, Loans and Interest Receivable, BOR establishes loans that are subject to the provisions of FCRA. Under the FCRA, loans consist of two components—the portion borrowed from the Treasury and the appropriated portion to cover the estimated subsidy. The maturity dates for these loans range from 2012 to 2047. The weighted average interest rate used to calculate interest owed to Treasury ranges from 5.42 to 7.59 percent for FY 2009 and FY 2008.

**Departmental Offices**

Interest is accrued annually based on the prevailing market yield on Treasury securities of comparable maturity. The weighted average interest rate used to calculate interest owed to Treasury is 5.53 percent. The repayment date for this loan is September 30, 2027.



### C. Intragovernmental Debt to Treasury - Federal Financing Bank

**Departmental Offices** (Office of Insular Affairs) has borrowed funds from Treasury in accordance with the Federal Financing Bank Act of 1973. These loans were repaid in FY 2008. No borrowing occurred in FY 2009.

Debt related to the Helium Fund as of September 30, 2009 and 2008, is summarized as follows:

<i>(dollars in thousands)</i>	FY 2009	FY 2008
Principal	\$ 251,651	\$ 251,651
Interest		
Balance, Beginning of Year	392,553	512,553
Repayments	(65,000)	(120,000)
Balance, End of Year	327,553	392,553
Total Debt Due to Treasury	\$ 579,204	\$ 644,204

## NOTE 12. FEDERAL EMPLOYEE AND VETERAN BENEFITS PAYABLE

Federal Employee and Veteran Benefits Payable as of September 30, 2009 and 2008, consisted of the following:

<i>(dollars in thousands)</i>	FY 2009	FY 2008
Federal Employee and Veteran Benefits Payable		
U.S. Park Police Pension Actuarial Liability	\$ 669,390	\$ 665,782
U.S. Park Police Pension Current Liability	38,410	36,318
Federal Employees Compensation Actuarial Liability	686,646	681,123
Total Federal Employee and Veteran Benefits Payable	\$ 1,394,446	\$ 1,383,223

**U.S. Park Police Pension Plan.** In estimating the U.S. Park Police (USPP) Pension Plan liability and associated expense, the NPS's actuary applies economic assumptions to historical cost information to estimate the government's future cost to provide benefits to current and future retirees. The estimate is adjusted by the time value of money

and the probability of having to pay benefits due to assumed decrements for mortality, morbidity, and terminations. The following table presents the significant economic assumptions used to estimate the USPP Pension Plan liability and associated expenses and the change in the USPP Pension Plan Liability.

Economic Assumptions Used Expressed In Percentages	FY 2009	FY 2008
Interest Rate	6.25	6.25
Inflationary Rate	3.50	3.50
Projected Salary Increase	4.25	4.25

<i>(dollars in thousands)</i>	FY 2009	FY 2008
USPP Pension Plan Expense		
Normal Costs	\$ 100	\$ 200
Interest	42,600	42,800
Actuarial (gain)/Loss	2,600	(6,600)
Difference Between Actual and Estimated Payments	(1,190)	(2,282)
Total Pension Expenses	\$ 44,110	\$ 34,118

<i>(dollars in thousands)</i>	FY 2009	FY 2008
USPP Pension Plan Liability		
Beginning Balance	\$ 702,100	\$ 704,300
Total Pension Expense	44,110	34,118
Less Benefit Payments	(38,410)	(36,318)
Ending Balance	\$ 707,800	\$ 702,100

## NOTE 13. CONTINGENT LIABILITIES AND ENVIRONMENTAL AND DISPOSAL LIABILITIES

Interior is party to various administrative proceedings, legal actions, and tort claims which may result in settlements or decisions adverse to the Federal Government and has responsibility to remediate sites with environmental contamination.

The accrued and potential Contingent Liabilities and Environmental and Disposal Liabilities as of September 30, 2009 and 2008, are summarized in the categories below.

FY 2009 (dollars in thousands)		Estimated Range of Loss	
	Accrued Liabilities	Lower End	Upper End
Contingent Liabilities			
Probable	\$ 126,931	\$ 126,931	\$ 268,643
Reasonably Possible		245,344	1,359,031
Environmental and Disposal Liabilities			
Probable	155,684	155,684	382,505
Reasonably Possible		58,651	188,485
FY 2008 (dollars in thousands)		Estimated Range of Loss	
	Accrued Liabilities	Lower End	Upper End
Contingent Liabilities			
Probable	\$ 1,188,548	\$ 422,548	\$ 2,102,179
Reasonably Possible		174,286	3,015,471
Environmental and Disposal Liabilities			
Probable	155,548	155,548	375,374
Reasonably Possible		66,746	221,064

### General Contingent Liabilities

General Contingent Liabilities consist of numerous lawsuits and claims filed against Interior which are awaiting adjudication. These liabilities typically relate to Federal Tort Claims Act administrative and judicial claims, contract related actions, Tribal and Indian trust-related matters, personnel and employment-related matters, and various land and resource related claims and adjudications. Most of the cash settlements are expected to be paid out of the Judgment Fund, which is maintained by Treasury, rather than the operating resources of Interior. In suits brought through the Contract Disputes Act of 1978 and awards under Federal Antidiscrimination and Whistleblower Protection Acts, Interior is required to reimburse the Judgment Fund from future agency appropriations.

No amounts have been accrued in the financial records for claims where the amount of potential loss cannot be estimated or the likelihood of an unfavorable outcome is less than probable.

Matters for which the likelihood of an unfavorable outcome is less than probable but more than remote involve a wide variety of allegations and claims. These matters arise in the course of carrying

out Interior programs and operations, including interaction with Tribes and individual Indians, interaction with trust territory in the Pacific Islands, operation of wildlife refuges, law enforcement of Interior-managed land, general management activities on Interior land, resource related claims, and operations of reclamation projects. The ultimate outcomes in these matters cannot be predicted at this time. Sufficient information is not currently available to determine if the ultimate resolution of the proceedings, actions, and claims will materially affect Interior's financial position or results of operations.

Additional pending litigation relates to Interior's management of the monies and lands held in trust by the Federal government for Indian Tribes and individuals. Certain parties for whom Interior holds funds in trust filed a class action lawsuit in 1996, seeking an accounting of their individual trust funds. Although plaintiffs had sought \$58 billion from the District Court in lieu of the accounting, the District Court awarded \$456 million. However, this past July, the Court of Appeals reversed and vacated that judgment. The plaintiffs may seek to have the case reviewed by the U.S. Supreme Court. Interior cannot presently determine the outcome

of that potential appeal to the Supreme Court, if it is taken. Nor can Interior presently determine the total amount, responsibility, or funding source of the potential liability, if any.

### ***Environmental and Disposal Liability***

Interior is subject to environmental laws and regulations regarding air, water, and land use, the storage and disposal of hazardous materials, and the operations and closure of facilities at which environmental contamination may be present. The major Federal laws covering environmental response, cleanup, and monitoring are the: Comprehensive Environmental Response, Compensation, and Liability Act; Resource Conservation and Recovery Act; Oil Pollution Act; Clean Water Act; Clean Air Act; Safe Drinking Water Act; and, Asbestos Hazard Emergency Response Act. Responsible parties, which may include Federal agencies under certain circumstances, are required to remove releases of hazardous substances from facilities they own, operate, or at which they arranged for the disposal of such substances. There are no material changes in total estimated cleanup costs that are due to changes in law and technology. Estimated environmental and disposal liabilities include expected future cleanup costs, and for those sites where future liability is unknown, the cost of studies necessary to evaluate response requirements.

Certain Departmental facilities may have regulated materials (e.g., asbestos) used in the construction or later renovation of the facility. These materials, while in an undisturbed or encapsulated state (e.g., nonfriable asbestos), are not subject to cleanup under applicable law. The current policy is that unless and until the materials become friable or otherwise capable of causing contamination, the costs for monitoring or other management of these materials are not to be accrued as environmental cleanup. Currently, any cost for remediation or abatement would only accrue if the material becomes friable or is otherwise released into the environment. Under normal circumstances, remediation or abatement is limited to situations such as the remodeling or demolition of a building containing such materials. Costs would then be reported in the same manner as any other environmental liability.

**NOTE 14. LIABILITIES ANALYSIS**

Liabilities covered by budgetary resources are funded liabilities to be paid with existing budgetary resources. Liabilities not covered by budgetary resources represent those unfunded liabilities for which Congressional action is needed before budgetary resources can be provided.

Interior's liabilities covered and not covered by budgetary resources as of September 30, 2009, are as follows:

	Covered by Budgetary Resources		Not Covered by Budgetary Resources		
(dollars in thousands)	Current	Non-Current	Current	Non-Current	FY 2009
Intragovernmental Liabilities:					
Accounts Payable	\$ 85,041	\$ -	\$ -	\$ 593,927	\$ 678,968
Debt	50,000	593,272	-	-	643,272
Other					
Liability for Capital Transfers to the General Fund of the Treasury	-	-	44,741	2,003,698	2,048,439
Advances and Deferred Revenue	626,345	-	501	219	627,065
Custodial Liability	-	-	386,277	109,231	495,508
Other Liabilities					
Accrued Employee Benefits	56,179	-	10,629	19,465	86,273
Judgment Fund	-	-	-	199,100	199,100
Unfunded FECA Liability	-	-	51,628	78,860	130,488
Other Miscellaneous Liabilities	79	-	150,358	4,753	155,190
Total Other Liabilities	56,258	-	212,615	302,178	571,051
Total Other Intragovernmental Liabilities	682,603	-	644,134	2,415,326	3,742,063
Total Intragovernmental Liabilities	817,644	593,272	644,134	3,009,253	5,064,303
Public Liabilities:					
Accounts Payable	821,824	68,597	-	-	890,421
Loan Guarantee Liability	-	50,779	-	-	50,779
Federal Employee and Veterans' Benefits					
U.S. Park Police Pension Actuarial Liability	-	-	-	669,390	669,390
U.S. Park Police Pension Current Liability	38,410	-	-	-	38,410
FECA Actuarial Liability	-	-	-	686,646	686,646
Total Federal Employee Veterans' Benefits	38,410	-	-	1,356,036	1,394,446
Environmental and Disposal Liabilities	510	-	-	155,174	155,684
Other					
Refunds Payable	-	-	2,144,896	5,138	2,150,034
Contingent Liabilities	-	-	387	126,544	126,931
Advances and Deferred Revenue	318,690	-	222,986	252,212	793,888
Payments Due to States	-	-	371,925	104,948	476,873
Grants Payable	297,633	-	-	-	297,633
Other Liabilities					
Accrued Payroll and Benefits	254,806	-	-	-	254,806
Unfunded Annual Leave	-	-	50,552	324,215	374,767
Capital Leases	2,810	25,224	-	20,739	48,773
Custodial Liability	-	-	4,699	-	4,699
Secure Rural Schools Act Payable	-	-	81,605	-	81,605
Storm Damage	29,838	55,413	-	-	85,251
Other Miscellaneous Liabilities	5,567	765	35,759	63,985	106,076
Total Other Liabilities	293,021	81,402	172,615	408,939	955,977
Total Other Public Liabilities	909,344	81,402	2,912,809	897,781	4,801,336
Total Public Liabilities	1,770,088	200,778	2,912,809	2,408,991	7,292,666
Total Liabilities	\$ 2,587,732	\$ 794,050	\$ 3,556,943	\$ 5,418,244	\$ 12,356,969

Interior's liabilities covered and not covered by budgetary resources as of September 30, 2008, are as follows:

	Covered by Budgetary Resources		Not Covered by Budgetary Resources		
(dollars in thousands)	Current	Non-Current	Current	Non-Current	FY 2008
Intragovernmental Liabilities:					
Accounts Payable	\$ 50,224	\$ -	\$ -	\$ 561,401	\$ 611,625
Debt	50,000	665,109	-	-	715,109
Other					
Liability for Capital Transfers to the General Fund of the Treasury	-	-	44,607	2,005,859	2,050,466
Advances and Deferred Revenue	542,126	-	109	368	542,603
Custodial Liability	-	-	538,933	143,016	681,949
Other Liabilities					
Accrued Employee Benefits	51,041	-	28,025	39,480	118,546
Judgment Fund	-	-	-	192,580	192,580
Unfunded FECA Liability	-	-	29,703	56,709	86,412
Other Miscellaneous Liabilities	120	-	154,563	6,982	161,665
Total Other Liabilities	51,161	-	212,291	295,751	559,203
Total Other Intragovernmental Liabilities	593,287	-	795,940	2,444,994	3,834,221
Total Intragovernmental Liabilities	693,511	665,109	795,940	3,006,395	5,160,955
Public Liabilities:					
Accounts Payable	889,467	70,741	-	-	960,208
Loan Guarantee Liability	-	36,180	-	-	36,180
Federal Employee and Veterans' Benefits					
U.S. Park Police Pension Actuarial Liability	-	-	-	665,782	665,782
U.S. Park Police Pension Current Liability	36,318	-	-	-	36,318
FECA Actuarial Liability	-	-	-	681,123	681,123
Total Federal Employee Veterans' Benefits	36,318	-	-	1,346,905	1,383,223
Environmental and Disposal Liabilities	-	-	510	155,038	155,548
Other					
Contingent Liabilities	-	-	-	1,188,548	1,188,548
Advances and Deferred Revenue	375,188	-	392,983	292,455	1,060,626
Payments Due to States	-	-	494,877	137,407	632,284
Grants Payable	292,228	-	-	-	292,228
Other Liabilities					
Accrued Payroll and Benefits	235,277	-	-	-	235,277
Unfunded Annual Leave	-	-	50,953	328,777	379,730
Capital Leases	5,385	924	-	21,748	28,057
Custodial Liability	-	-	25,126	-	25,126
Secure Rural Schools Act Payable	-	-	92,083	-	92,083
Storm Damage	42,369	78,685	-	-	121,054
Other Miscellaneous Liabilities	968	2,307	19,468	53,775	76,518
Total Other Liabilities	283,999	81,916	187,630	404,300	957,845
Total Other Public Liabilities	951,415	81,916	1,075,490	2,022,710	4,131,531
Total Public Liabilities	1,877,200	188,837	1,076,000	3,524,653	6,666,690
Total Liabilities	\$ 2,570,711	\$ 853,946	\$ 1,871,940	\$ 6,531,048	\$ 11,827,645

## NOTE 15. LEASES

### Capital Leases

Interior's capital leases are with the public and consist of a 20-year lease for the Western Archeological and Conservation Center in Tucson, Arizona, and 3-year leases for copiers.

The aggregate of Interior's future minimum lease payments for capital leases are presented in the table below.

Capital leases as of September 30, 2009 and 2008, consist of the following:

<i>(dollars in thousands)</i>			
Fiscal Year	Real Property	Personal Property	Total
2010	\$ 2,172	\$ 7,103	\$ 9,275
2011	2,172	7,026	9,198
2012	2,172	6,161	8,333
2013	2,253	6,253	8,506
2014	2,333	-	2,333
Thereafter	20,697	-	20,697
Total Future Capital Lease Payments	31,799	26,543	58,342
Less: Imputed Interest	8,888	681	9,569
Less: Executory Costs	-	-	-
FY 2009 Net Capital Lease Liability	22,911	25,862	48,773
FY 2008 Net Capital Lease Liability	\$ 23,921	\$ 4,136	\$ 28,057

<i>(dollars in thousands)</i>		
	FY 2009	FY 2008
Real Property	\$ 28,000	\$ 28,000
Personal Property	48,740	18,973
Accumulated Amortization	(29,551)	(12,758)

### Operating Leases

Most of Interior's facilities are obtained through the General Services Administration (GSA), which charges an amount that approximates commercial rental rates. The terms of Interior's agreements with GSA will vary according to whether the underlying assets are owned by GSA (or another Federal agency) or rented by GSA from the private sector. For Federally-owned property, Interior either periodically executes an agreement with GSA or enters into cancelable agreements, some of which do not have a formal expiration date. Interior can vacate these properties after giving 120 to 180 days notice of the intent to vacate. However, Interior normally occupies these properties for an extended period of time with little variation from year to year.

Interior also leases personal property from GSA and other entities. The terms for GSA personal property agreements frequently exceed one year, although a definite period is not always specified.

For real and personal property, future payments are calculated based on the terms of the agreement, or if the agreement is silent, an annual inflationary factor is applied; 2.5 percent for FY 2010 and 1.4 percent for FY 2011 and beyond. The inflationary factors are applied against the actual 2009 rental expense. For agreements that have an indefinite period of performance, future payments are calculated only for 5 years.

The aggregate of Interior's future minimum lease payments for operating leases are presented in the following table.

Operating leases as of September 30, 2009 consist of the following:

<i>(dollars in thousands)</i>		Real Property		Personal Property		Total
Fiscal Year		Federal	Public	Federal	Public	
2010	\$	267,442	\$ 62,808	\$ 66,041	\$ 2,776	\$ 399,067
2011		254,674	54,262	66,965	2,568	378,469
2012		212,537	47,393	67,903	2,461	330,294
2013		186,733	39,005	68,853	2,461	297,052
2014		167,076	31,875	69,817	2,470	271,238
Thereafter		122,289	373,169	-	-	495,458
Total Future Operating Lease Payments	\$	1,210,751	\$ 608,512	\$ 339,579	\$ 12,736	\$ 2,171,578



## NOTE 16. COSTS

By law, Interior, as an agency of the Federal government, is dependent upon other government agencies for centralized services. Some of these services, such as tax collection and management of the public debt, are not directly identifiable to Interior and are not reflected in Interior's financial condition and results. However, in certain cases, other Federal agencies incur costs that are directly identifiable to Interior operations, including payment of claims and litigation by Treasury's Judgment Fund, and the partial funding of retirement benefits by OPM. In accordance with SFFAS 30, *Inter-Entity Cost Implementation Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*. Interior recognizes identified costs paid for Interior by other agencies as expenses of Interior. The funding for these costs

is reflected as imputed financing sources on the Statement of Changes in Net Position. Costs paid by other agencies on behalf of Interior were \$1,633 million and \$472 million during FY 2009 and FY 2008, respectively. Interior's imputed costs that were recognized in the financial statements but eliminated for consolidation purposes were \$65 million and \$79 million during FY 2009 and FY 2008, respectively.

During FY 2009 and FY 2008, the costs associated with acquiring, constructing, and renovating heritage assets were \$166 million and \$190 million, respectively. The costs associated with acquiring and improving stewardship lands were \$107 million and \$189 million during FY 2009 and FY 2008, respectively.

## NOTE 17. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE BY RESPONSIBILITY SEGMENT

The tables on the following pages present Interior's earned revenues for sales of goods and services to Federal agencies and the public, gross costs associated with Federal agencies and the public, and net cost of operations by program and by bureau.

**Responsibility Segment Presentation.** OMB Circular A-136, *Financial Reporting Requirements*, requires that the presentation of the Statement of Net Cost align directly with the goals and outcomes identified in the strategic plan. Accordingly, Interior presented the earned revenue and gross costs by Mission Goals from Interior's FY 2007-2012 Strategic Plan.

The primary Mission Goals are: Resource Protection, Resource Use, Recreation, and Serving Communities. Reimbursable costs are comprised of services provided to other Federal agencies not part of Interior's core mission. These Mission Goals are supported by 14 Department level end outcome goals identified in Interior's FY 2009 Strategic Plan.

Refer to Note 1C for information on the Wildland Fire Program.

## NOTES TO PRINCIPAL FINANCIAL STATEMENTS

Intragovernmental costs and exchange revenue by responsibility segment for the year ended September 30, 2009, consists of the following:

<i>(dollars in thousands)</i>	Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other	Minerals Management Service
<b>Resource Protection</b>					
Intragovernmental Costs	\$ 333	\$ 84,962	\$ 12,389	\$ 40,261	\$ 4,506
Public Costs	770	417,454	24,178	187,817	50,349
Total Costs	\$ 1,103	\$ 502,416	\$ 36,567	\$ 228,078	\$ 54,855
Intragovernmental Earned Revenue	-	82,280	2,402	11,778	-
Public Earned Revenue	-	23,688	22,872	21,152	-
Total Earned Revenue	-	105,968	25,274	32,930	-
Net Costs	\$ 1,103	\$ 396,448	\$ 11,293	\$ 195,148	\$ 54,855
<b>Resource Use</b>					
Intragovernmental Costs	\$ -	\$ 45,465	\$ 490,867	\$ 1,170	\$ 1,106,772
Public Costs	-	281,808	950,120	5,497	1,009,761
Total Costs	\$ -	\$ 327,273	\$ 1,440,987	\$ 6,667	\$ 2,116,533
Intragovernmental Earned Revenue	-	16	256,693	-	-
Public Earned Revenue	-	256,266	726,738	2	177,534
Total Earned Revenue	-	256,282	983,431	2	177,534
Net Costs	\$ -	\$ 70,991	\$ 457,556	\$ 6,665	\$ 1,938,999
<b>Recreation</b>					
Intragovernmental Costs	\$ -	\$ 43,677	\$ 12,555	\$ -	\$ -
Public Costs	-	229,899	22,192	-	-
Total Costs	\$ -	\$ 273,576	\$ 34,747	\$ -	\$ -
Intragovernmental Earned Revenue	-	363	6,547	-	-
Public Earned Revenue	-	20,191	18,625	-	-
Total Earned Revenue	-	20,554	25,172	-	-
Net Costs	\$ -	\$ 253,022	\$ 9,575	\$ -	\$ -
<b>Serving Communities</b>					
Intragovernmental Costs	\$ 472,399	\$ 76,822	\$ 2,824	\$ 299,641	\$ -
Public Costs	2,370,492	594,761	6,125	1,517,268	-
Total Costs	\$ 2,842,891	\$ 671,583	\$ 8,949	\$ 1,816,909	\$ -
Intragovernmental Earned Revenue	245,761	58,157	834	16,845	-
Public Earned Revenue	119,488	30,732	7,511	19,404	-
Total Earned Revenue	365,249	88,889	8,345	36,249	-
Net Costs	\$ 2,477,642	\$ 582,694	\$ 604	\$ 1,780,660	\$ -
<b>Reimbursable Activity and Other</b>					
Intragovernmental Costs	\$ -	\$ 166,056	\$ 215,851	\$ 613,838	\$ 1,264
Public Costs	-	(166,056)	284,943	1,816,720	7,155
Total Costs	\$ -	\$ -	\$ 500,794	\$ 2,430,558	\$ 8,419
Intragovernmental Earned Revenue	-	-	411,936	2,253,857	8,160
Public Earned Revenue	-	-	149,352	12,113	624
Total Earned Revenue	-	-	561,288	2,265,970	8,784
Net Costs	\$ -	\$ -	\$ (60,494)	\$ 164,588	\$ (365)
<b>Total</b>					
Intragovernmental Costs	\$ 472,732	\$ 416,982	\$ 734,486	\$ 954,910	\$ 1,112,542
Public Costs	2,371,262	1,357,866	1,287,558	3,527,302	1,067,265
Total Costs	\$ 2,843,994	\$ 1,774,848	\$ 2,022,044	\$ 4,482,212	\$ 2,179,807
Intragovernmental Earned Revenue	245,761	140,816	678,412	2,282,480	8,160
Public Earned Revenue	119,488	330,877	925,098	52,671	178,158
Total Earned Revenue	365,249	471,693	1,603,510	2,335,151	186,318
Net Cost of Operations	\$ 2,478,745	\$ 1,303,155	\$ 418,534	\$ 2,147,061	\$ 1,993,489

# NOTES TO PRINCIPAL FINANCIAL STATEMENTS

National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra-Department Activity	FY 2009
\$ 252,632	\$ 8,900	\$ 306,021	\$ 354,389	\$ (332,521)	\$ 731,872
868,095	174,114	1,236,927	1,008,414	-	3,968,118
\$ 1,120,727	\$ 183,014	\$ 1,542,948	\$ 1,362,803	\$ (332,521)	\$ 4,699,990
23,902	433	82,829	275,848	(233,970)	245,502
114,215	112	79,178	203,556	-	464,773
138,117	545	162,007	479,404	(233,970)	710,275
\$ 982,610	\$ 182,469	\$ 1,380,941	\$ 883,399	\$ (98,551)	\$ 3,989,715
\$ -	\$ 18,524	\$ 5,794	\$ 36,110	\$ (328,037)	\$ 1,376,665
-	95,162	16,453	79,790	-	2,438,591
\$ -	\$ 113,686	\$ 22,247	\$ 115,900	\$ (328,037)	\$ 3,815,256
-	18	1,789	11,541	(8,272)	261,785
-	74	790	1,362	-	1,162,766
-	92	2,579	12,903	(8,272)	1,424,551
\$ -	\$ 113,594	\$ 19,668	\$ 102,997	\$ (319,765)	\$ 2,390,705
\$ 500,055	\$ -	\$ 34,889	\$ -	\$ (119,726)	\$ 471,450
1,606,010	-	856,414	-	-	2,714,515
\$ 2,106,065	\$ -	\$ 891,303	\$ -	\$ (119,726)	\$ 3,185,965
47,348	-	10,019	-	(12,538)	51,739
226,075	-	4,071	-	-	268,962
273,423	-	14,090	-	(12,538)	320,701
\$ 1,832,642	\$ -	\$ 877,213	\$ -	\$ (107,188)	\$ 2,865,264
\$ -	\$ 383	\$ 33,973	\$ 30,522	\$ (271,518)	\$ 645,046
-	8,714	99,191	108,687	-	4,705,238
\$ -	\$ 9,097	\$ 133,164	\$ 139,209	\$ (271,518)	\$ 5,350,284
-	15	4,390	13,756	(62,644)	277,114
-	-	2,518	1,183	-	180,836
-	15	6,908	14,939	(62,644)	457,950
\$ -	\$ 9,082	\$ 126,256	\$ 124,270	\$ (208,874)	\$ 4,892,334
\$ -	\$ -	\$ -	\$ -	\$ (653,294)	\$ 343,715
-	181,166	-	-	-	2,123,928
\$ -	\$ 181,166	\$ -	\$ -	\$ (653,294)	\$ 2,467,643
-	-	-	-	(1,322,198)	1,351,755
-	-	-	-	-	162,089
-	-	-	-	(1,322,198)	1,513,844
\$ -	\$ 181,166	\$ -	\$ -	\$ 668,904	\$ 953,799
\$ 752,687	\$ 27,807	\$ 380,677	\$ 421,021	\$ (1,705,096)	\$ 3,568,748
2,474,105	459,156	2,208,985	1,196,891	-	15,950,390
\$ 3,226,792	\$ 486,963	\$ 2,589,662	\$ 1,617,912	\$ (1,705,096)	\$ 19,519,138
71,250	466	99,027	301,145	(1,639,622)	2,187,895
340,290	186	86,557	206,101	-	2,239,426
411,540	652	185,584	507,246	(1,639,622)	4,427,321
\$ 2,815,252	\$ 486,311	\$ 2,404,078	\$ 1,110,666	\$ (65,474)	\$ 15,091,817

## NOTES TO PRINCIPAL FINANCIAL STATEMENTS

Intragovernmental costs and exchange revenue by responsibility segment for the year ended September 30, 2008, consists of the following:

<i>(dollars in thousands)</i>	Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other	Minerals Management Service
<b>Resource Protection</b>					
Intragovernmental Costs	156	100,341	23,764	34,371	4,129
Public Costs	901	377,029	37,653	211,872	27,872
Total Costs	1,057	477,370	61,417	246,243	32,001
Intragovernmental Earned Revenue	-	75,029	7,597	7,056	-
Public Earned Revenue	-	50,392	46,803	4,227	-
Total Earned Revenue	-	125,421	54,400	11,283	-
Net Costs	1,057	351,949	7,017	234,960	32,001
<b>Resource Use</b>					
Intragovernmental Costs	-	75,754	479,879	1,371	97,274
Public Costs	-	260,227	1,043,739	10,178	3,468,028
Total Costs	-	335,981	1,523,618	11,549	3,565,302
Intragovernmental Earned Revenue	-	1,826	249,281	-	-
Public Earned Revenue	-	315,466	603,666	4	173,540
Total Earned Revenue	-	317,292	852,947	4	173,540
Net Costs	-	18,689	670,671	11,545	3,391,762
<b>Recreation</b>					
Intragovernmental Costs	-	28,736	13,214	821	-
Public Costs	-	181,367	24,114	2,222	-
Total Costs	-	210,103	37,328	3,043	-
Intragovernmental Earned Revenue	-	7,828	5,714	-	-
Public Earned Revenue	-	23,525	18,966	-	-
Total Earned Revenue	-	31,353	24,680	-	-
Net Costs	-	178,750	12,648	3,043	-
<b>Serving Communities</b>					
Intragovernmental Costs	354,231	109,651	-	410,562	-
Public Costs	2,421,624	445,865	-	1,646,045	-
Total Costs	2,775,855	555,516	-	2,056,607	-
Intragovernmental Earned Revenue	298,394	89,275	-	34,682	-
Public Earned Revenue	132,885	13,320	-	36,928	-
Total Earned Revenue	431,279	102,595	-	71,610	-
Net Costs	2,344,576	452,921	-	1,984,997	-
<b>Reimbursable Activity and Other</b>					
Intragovernmental Costs	-	-	228,912	558,553	1,080
Public Costs	-	-	297,644	1,749,864	7,558
Total Costs	-	-	526,556	2,308,417	8,638
Intragovernmental Earned Revenue	-	-	409,314	2,113,322	8,336
Public Earned Revenue	-	-	80,980	6,236	1,083
Total Earned Revenue	-	-	490,294	2,119,558	9,419
Net Costs	-	-	36,262	188,859	(781)
<b>Total</b>					
Intragovernmental Costs	354,387	314,482	745,769	1,005,678	102,483
Public Costs	2,422,525	1,264,488	1,403,150	3,620,181	3,503,458
Total Costs	2,776,912	1,578,970	2,148,919	4,625,859	3,605,941
Intragovernmental Earned Revenue	298,394	173,958	671,906	2,155,060	8,336
Public Earned Revenue	132,885	402,703	750,415	47,395	174,623
Total Earned Revenue	431,279	576,661	1,422,321	2,202,455	182,959
Net Cost of Operations	2,345,633	1,002,309	726,598	2,423,404	3,422,982

# NOTES TO PRINCIPAL FINANCIAL STATEMENTS

National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra-Department Activity	FY 2008
237,211	9,371	274,361	340,428	(247,497)	776,635
778,115	179,142	1,212,049	972,869	-	3,797,502
1,015,326	188,513	1,486,410	1,313,297	(247,497)	4,574,137
22,692	256	82,376	268,599	(169,687)	293,918
109,508	4,444	70,651	213,828	-	499,853
132,200	4,700	153,027	482,427	(169,687)	793,771
883,126	183,813	1,333,383	830,870	(77,810)	3,780,366
-	18,203	5,031	31,676	(364,532)	344,656
-	99,379	13,780	74,811	-	4,970,142
-	117,582	18,811	106,487	(364,532)	5,314,798
-	227	1,364	8,555	(14,849)	246,404
-	168	586	1,334	-	1,094,764
-	395	1,950	9,889	(14,849)	1,341,168
-	117,187	16,861	96,598	(349,683)	3,973,630
469,531	-	34,438	-	(105,469)	441,271
1,458,807	-	845,927	-	-	2,512,437
1,928,338	-	880,365	-	(105,469)	2,953,708
44,914	-	10,040	-	(10,215)	58,281
216,757	-	3,700	-	-	262,948
261,671	-	13,740	-	(10,215)	321,229
1,666,667	-	866,625	-	(95,254)	2,632,479
-	386	33,512	27,430	(371,557)	564,215
-	14,482	99,377	104,628	-	4,732,021
-	14,868	132,889	132,058	(371,557)	5,296,236
-	4	4,518	9,546	(106,040)	330,379
-	15	2,620	2,276	-	188,044
-	19	7,138	11,822	(106,040)	518,423
-	14,849	125,751	120,236	(265,517)	4,777,813
-	-	-	-	(554,925)	233,620
-	148,061	-	-	-	2,203,127
-	148,061	-	-	(554,925)	2,436,747
-	-	-	-	(1,263,985)	1,266,987
-	-	-	-	-	88,299
-	-	-	-	(1,263,985)	1,355,286
-	148,061	-	-	709,060	1,081,461
706,742	27,960	347,342	399,534	(1,643,980)	2,360,397
2,236,922	441,064	2,171,133	1,152,308	-	18,215,229
2,943,664	469,024	2,518,475	1,551,842	(1,643,980)	20,575,626
67,606	487	98,298	286,700	(1,564,776)	2,195,969
326,265	4,627	77,557	217,438	-	2,133,908
393,871	5,114	175,855	504,138	(1,564,776)	4,329,877
2,549,793	463,910	2,342,620	1,047,704	(79,204)	16,245,749

**NOTE 18. STATEMENT OF BUDGETARY RESOURCES**

The Statement of Budgetary Resources provides information about how budgetary resources were made available as well as their status at the end of the period. It is the only financial statement exclusively derived from the entity's budgetary general ledger in accordance with budgetary

accounting rules that are incorporated into GAAP for the Federal Government. Interior's undelivered orders as of September 30, 2009 and 2008, were \$8,286,988 thousand and \$7,577,202 thousand, respectively.

**Apportionment of Obligations Incurred**

The following table contains only Category B apportionments since Interior does not receive Category A. Category B apportionments typically

distribute budgetary resources by activities, projects, objects, or a combination of these categories. Interior's obligations incurred for the year ended September 30, 2009 and 2008, are as follows:

<i>(dollars in thousands)</i> FY 2009	Apportioned	Exempt from Apportionment	Total
Obligations Incurred:			
Direct	\$ 17,330,668	\$ 83,291	\$ 17,413,959
Reimbursable	5,154,261	-	5,154,261
Total Obligations Incurred	\$ 22,484,929	\$ 83,291	\$ 22,568,220

<i>(dollars in thousands)</i> FY 2008	Apportioned	Exempt from Apportionment	Total
Obligations Incurred:			
Direct	\$ 17,102,482	\$ 78,432	\$ 17,180,914
Reimbursable	4,739,241	-	4,739,241
Total Obligations Incurred	\$ 21,841,723	\$ 78,432	\$ 21,920,155

BIA Trust Funds and BOR Colorado River Dam Fund - Boulder Canyon Project are the only funds classified as exempt from apportionment.

**Repayment Requirements, Financing Sources for Repayment, and other Terms of Borrowing Authority Used.**

BOR's borrowing authority is provided under the Federal Credit Reform Act of 1990 (see Note 6, Loans and Interest Receivable). The repayment terms and provisions of these loans are not more than 40 years from the date when the principal benefits of the projects first became available. Interest on the debt is determined by the Treasury as of the beginning of the fiscal year in which the contract is executed, on the basis of the average market yields on outstanding marketable obligations of the United States. Collections in excess of the interest due to the Treasury is applied to the outstanding principal owed to the Treasury.

IA receives borrowing authority from Treasury for its loan programs in accordance with the Credit Reform Act of 1990 and related legislation. The guaranteed loan financing fund can borrow

funds when the cash balance in a financing fund cohort is insufficient to pay default claims, interest subsidy payments, downward subsidy reestimates, or the interest on prior Treasury borrowings. IA did not exercise any new borrowing authority as of September 30, 2009, and September 30, 2008. IA's direct loan program ended in 1995. However, borrowings arising from direct loans made between 1992 and 1995 are still outstanding. These borrowings are being repaid as scheduled and as of September 30, 2009 and 2008, were \$7,844 thousand and \$7,905 thousand, respectively.

In 2001, the Bureau of the Public Debt extended a loan to the Departmental Offices for the purpose of operating a direct loan to the ASG. Interest is accrued annually based on the prevailing market yield on Treasury securities of comparable maturity. The loan has a final payment due date of September 30, 2027.



**Permanent Indefinite Appropriations.**

Permanent indefinite appropriations are appropriations given to Interior through public laws which authorize the retention of certain receipts. These appropriations do not specify amounts, but are dependent upon the amount of receipts collected. All Interior bureaus use one or more permanent no-year appropriations to finance operating costs and purchase Property, Plant, and Equipment (PPE). Interior has approximately 70 permanent indefinite appropriations. Most of these appropriations are used for special environmental programs and to carry out obligations of the Secretary of Interior.

**Appropriations Received.** Appropriations Received on the Consolidated Statement of Changes in Net Position differs from that reported on the Combined Statement of Budgetary Resources because Appropriations Received on the Consolidated Statement of Changes in Net Position do not include appropriated dedicated and earmarked receipts. Dedicated and earmarked receipts are accounted for as either exchange or nonexchange revenue.

**Legal Arrangements Affecting Use of Unobligated Balances.**

Interior's unobligated unavailable balances as of September 30, 2009 and 2008, are disclosed in the table below.

Unobligated balances, whose period of availability has expired (i.e., expired authority), are not available to fund new obligations, but are available to pay for adjustments to obligations incurred prior to expiration.

The non-Budgetary Credit Program Financing Accounts for FY 2008 relate to the IA Guaranteed Loan Financing Account. In FY 2008, OMB did not apportion all of the budgetary resources IA requested. The amount apportioned by OMB was properly recorded as unobligated balance available. The remaining unobligated balance was properly reported as unavailable since OMB did not apportion the amount.

**Explanation of Differences between the Combined Statement of Budgetary Resources and the Budget of the United States Government.**

The Statement of Budgetary Resources has been prepared to coincide with the amounts shown in the President's Budget (Budget of the United States Government). The President's Budget with the actual FY 2008 amounts was released in February 2009, and the President's Budget with the actual FY 2009 amounts is estimated to be released in February 2010. Both can be located at the OMB website <<http://www.whitehouse.gov/omb>>. As such, the actual amounts for FY 2009 in the President's Budget have not been published at the time these financial statements were prepared.

Budgetary resources and the status of those resources presented in the Statement of Budgetary Resources for the period ended September 30, 2008, differ from the amounts presented as 2008 Actuals in the President's FY 2010 Budget. Differences are presented and labeled on the next page.

<i>(dollars in thousands)</i>	FY 2009	FY 2008
Unapportioned amounts unavailable for future apportionments	\$ 1,554	\$ 372
Expired Authority	181,484	188,477
Total Budgetary Accounts	183,038	188,849
Non-Budgetary Credit Program Financing Accounts	-	37,489
Unobligated Balance Unavailable	\$ 183,038	\$ 226,338

## NOTES TO PRINCIPAL FINANCIAL STATEMENTS

<i>(dollars in millions)</i>	FY 2008 Amount per President's Budget *	FY 2008 Amount per Statement of Budgetary Resources	Difference	Explanation
<b>Budgetary Resources:</b>				
Unobligated Balance Beginning of Fiscal Year	6,045	5,836	209	A,D
Recoveries of Prior Year Unpaid Obligations	402	489	(87)	A
Appropriations Received	17,793	17,661	132	C,D,E
Spending Authority From Offsetting Collections	5,140	5,309	(169)	A,D
Nonexpenditure Transfers, net	(10)	(26)	16	A
Temporarily Not Available Pursuant to Public Law	(136)	(3)	(133)	A,B
Permanently Not Available	(178)	(225)	47	A
<b>Total Budgetary Resources</b>	<b>26,666</b>	<b>29,044</b>	<b>(2,378)</b>	<b>A,B,C,D,E,F</b>
<b>Status of Budgetary Resources:</b>				
Obligations Incurred	22,138	21,920	218	A,B,D
Unobligated Balance - Available/Not Available	7,121	7,123	(2)	A,D
<b>Total Status of Budgetary Resources</b>	<b>26,666</b>	<b>29,044</b>	<b>(2,378)</b>	<b>A,B,D,F</b>
<b>Change in Obligated Balance:</b>				
Obligated Balance, Net, Beginning of Fiscal Year	7,764	8,006	(242)	H
Obligations Incurred	22,138	21,920	218	A,B,D
Less: Gross Outlays	(21,541)	(21,301)	(240)	D,E
Less: Recoveries of Prior Year Unpaid Obligations	(402)	(489)	87	A
Change in Uncollected Customer Payments from Fed Sources	(643)	(659)	16	D
<b>Obligated Balance, Net, End of Fiscal Year</b>	<b>7,977</b>	<b>7,476</b>	<b>501</b>	<b>A,D</b>
<b>Net Outlays:</b>				
Gross Outlays	21,541	21,301	240	D,E
Less: Offsetting Collections	(4,493)	(4,649)	156	A,D
Less: Offsetting Receipts	(6,963)	(6,924)	(39)	G

\* Source: Fiscal Year 2008 Actual amounts as published in the Appendix to the Budget of the United States Government, Fiscal Year 2010

### **A. Expired Accounts**

Differences relate to expired accounts being included in the Statement of Budgetary Resources (SBR), but not in the President's Budget.

### **B. Indian Affairs**

The President's Budget contains unobligated-expiring or withdrawn funds which are excluded on the SBR.

### **C. Bureau of Land Management**

BLM was directed to adjust Federal Agencies Centralized Tribal Balance System II (FACTS II) only by supplemental funds to backdate SRS warrants.

### **D. Departmental Offices**

Differences are primarily due to Interior including pass through appropriations and payments to Tribal Trust and Special Trust Fund Accounts [14215265 and 14218030] in the Statement of Budgetary Resources that were not included in the President's Budget. Additional differences relate to changes in child accounts received after the SBR was published and adjustments to the Working Capital Fund for obligations that were included in the President's Budget and not in the SBR.

FACTS II supplemental submitted after submission of financial statements and Fund Continuing Resolution was not reported in

FACTS II due to the mistaken assumption that Continuing Resolution had no Budget FY 2008 activity. The total change in uncollected customer payments from Federal sources on the President's Budget includes line "Spending authority from offsetting collections" but the SBR does not.

**E. National Park Service**

Differences are primarily due to the Concession Improvement Account that is included in the President's Budget, but not in the SBR and monies reflected as temporarily not available on the President's Budget and as permanently not available on the Combined SBR.

**F. Total Budgetary Resources**

The President's Budget did not include a "total budgetary resources available for obligations" line for the following funds: Mineral Leasing; National Forest Fund; Leases of Lands Acquired for Flood Control; Navigation, and Allied Purpose; and Oil Spill Research which were included in the SBR.

**G. Offsetting Receipts**

Differences relate to receipts reported in the SBR, but not in the President's Budget.

**H. U.S. Geological Survey**

In accordance with FACTS II requirements, a budget adjustment was recorded that was not required for financial reporting.

## NOTE 19. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

As required by SFFAS No. 7, *Accounting for Revenue and Other Financial Sources*, Interior has reconciled the Net Cost of Operations (reported in the Statement of Net Cost), to the current year obligations, reported on the Statement of Budgetary Resources.

The below schedule illustrates this reconciliation by listing the inherent differences in timing and recognition between the accrual proprietary accounting method used to calculate net cost, and the budgetary accounting method used to calculate budgetary resources and obligations. Certain prior year amounts have been reclassified to conform to FY 2009 note disclosure presentations.

**Change in Unfunded Liabilities.** This note includes a section depicting the change in certain unfunded liabilities. The amounts in this section do not necessarily correlate to the change in liabilities not covered by budgetary resources as shown in Note 14, Liabilities Analysis. Differences are primarily the result of certain Treasury requirements related to changes in various liabilities. These requirements are dependent upon whether the change results in an increase or decrease to the liability account. Additionally, some liability accounts not covered by budgetary resources are not included in this note.

## NOTES TO PRINCIPAL FINANCIAL STATEMENTS

The reconciliation of net cost of operations to budgetary accounts for the period ended September 30, 2009 and 2008, are as follows:

<i>(dollars in thousands)</i>	<b>2009</b>	<b>2008</b>
<b>Current Year Gross Obligations</b>	\$ 22,568,220	\$ 21,920,155
<b>Budgetary Resources from Offsetting Collections</b>		
Spending Authority from Offsetting Collections		
Earned		
Collected	(4,902,631)	(4,718,669)
Change in Receivable from Federal Sources	(54,298)	(71,128)
Change in Unfilled Customer Orders	(257,340)	(519,004)
Recoveries of Prior Year Unpaid Obligations	(466,065)	(488,802)
Offsetting Receipts	(5,257,387)	(6,924,469)
<b>Other Financing Resources</b>		
Transfers In (Out) without Reimbursement	18,671	(57,458)
Donations (Forfeitures) of Property	24,796	17,814
Imputed Financing Sources	1,632,943	551,294
Other	(128,427)	(117,564)
<b>Total Resources Used to Finance Activity</b>	\$ 13,178,482	\$ 9,592,169
<b>Resources Used to Finance Items Not Part of the Net Cost of Operations</b>		
<b>Budgetary Obligations and Resources not in the Net Cost of Operations</b>		
Change in Unfilled Customer Orders	\$ 257,340	\$ 519,002
Change in Undelivered Orders	(709,786)	90,594
Current Year Capitalized Purchases	(1,135,632)	(891,420)
Deferred Revenue	(30,680)	3,342
Change in Expended Authority in Loan and Trust Funds	(27,166)	(188,762)
Change in Budgetary Collections in Loan Funds	25,527	45,568
Offsetting Receipts that do not Affect Net Cost of Operations	5,257,387	6,924,469
Imputed Financing Sources	(1,632,943)	(551,294)
Other Resources/Adjustments that do not Affect Net Cost of Operations	(203,141)	(614,266)
<b>Components of the Net Cost of Operations which do not Generate or Use Resources in the Reporting Period</b>		
<b>Revenues without Current Year Budgetary Effect</b>		
Change in Receivables Not in the Budget	(888,225)	(433,138)
Other Financing Sources Not in the Budget	-	(224)
<b>Costs without Current Year Budgetary Effect</b>		
Depreciation and Amortization	528,283	481,178
Disposition of Assets	8,014	17,159
Re-evaluation of liabilities	(1,168,484)	781,389
Imputed costs	1,617,066	538,190
Bad Debt Expense	72,894	102,992
Change in Other Expenses Not Requiring Budgetary Resources	(57,119)	(171,198)
<b>Net Cost of Operations</b>	\$ 15,091,817	\$ 16,245,749

## NOTE 20. EARMARKED FUNDS

Earmarked funds are specifically identified revenues and other financing sources required by statute to be used for designated activities, benefits, or purposes that must be accounted for separately from the Government's general revenues.

Interior's significant earmarked funds are:

### ***The Land and Water Conservation Fund (LWCF).***

The LWCF was enacted in 1964 (Public Law 88-578) to create and maintain a nationwide legacy of high quality recreation areas and facilities. The LWCF Act established a funding source for both Federal acquisition of authorized national park, conservation, and recreation areas, as well as grants to State and local governments to help them acquire, develop, and improve outdoor recreation areas.

Annually, amounts from Outer Continental Shelf oil deposits are transferred from MMS to NPS under the National Historic Preservation Act (NHPA) of 1966. Each year, amounts from the LWCF are warranted to some of the bureaus within Interior and the rest to the Department of Agriculture's Forest Service. These funds are considered inflows of resources to the government and are reported as a restricted asset.

### ***The Historic Preservation Fund (HPF).***

The HPF provides matching grants to encourage private and non-Federal investment in historic preservation efforts nationwide, and assists state and local governments and Indian Tribes with expanding and accelerating historic preservation activities nationwide. HPF grants serve as a catalyst and "seed money" to preserve and protect the Nation's irreplaceable heritage for current and future generations.

Annually, under NHPA, royalties from OCS oil deposits are transferred from MMS to the NPS. Each year, amounts from the HPF are transferred via warrants to bureaus within Interior and to the Department of Agriculture's Forest Service. These funds are considered inflows of resources to the government and are reported as a restricted asset.

***Reclamation Fund.*** The Reclamation Fund was established by the National Reclamation Act of 1902 (32 Statute [Stat.] 388). It is a restricted, unavailable receipt fund into which a substantial portion of BOR's revenues (mostly repayment of capital investment costs, associated interest, and operation

and maintenance reimbursements from water and power users) and receipts from other Federal agencies (primarily revenues from certain Federal mineral royalties from MMS and hydropower transmission collected by Western Area Power Administration) are deposited. No expenditures are made directly from the Reclamation Fund; however, funds are transferred from the Reclamation Fund into BOR's appropriated expenditure funds or to other Federal agencies pursuant to Congressional appropriation acts to invest and reinvest in the reclamation of arid lands in the Western States.

***Water and Related Resources Fund.*** The Water and Related Resources Fund receives most of its funding from appropriations derived from the Reclamation Fund. These funds are used for BOR's central mission of delivering water and generating hydropower in the Western United States.

Costs associated with multipurpose plants are allocated to the various purposes, principally: power, irrigation, municipal and industrial (M&I) water, fish and wildlife enhancement, recreation, and flood control. Generally, only those costs associated with power, irrigation, and M&I water are reimbursable. Costs associated with purposes such as fish and wildlife enhancement, recreation, and flood control generally are nonreimbursable. Capital investment costs are recovered over a 40-year period, but may extend to 50 years or more, if authorized by the Congress. The funds are considered inflows of resources to the government.

### ***Lower Colorado River Basin Fund (LCRBF).***

The LCRBF receives funding from multiple sources for specific purposes as provided under the Lower Colorado River Basin Development Fund (LCRBD). Funding sources include: appropriations, and Federal revenue from the Central Arizona Project; Federal revenues from the Boulder Canyon and the Parker-Davis Project; the Western Area Power Administration; Federal revenue from the Northwest-Pacific Southwest intertie in the States of Nevada and Arizona; and, revenues earned from investing in Treasury securities. Funding sources may be retained and are available without further appropriation. The LCRBF provides for irrigation development and management activities within the Lower Colorado River Basin including operation, maintenance, replacements, and emergency expenditures for facilities of the Colorado River storage project and participating projects. The funds are considered inflows of resources to the government.

### ***Upper Colorado River Basin Fund.***

The Upper Colorado River Basin Fund receives funding from appropriations, water users, and the Western Area Power Administration. Funding sources may be retained and are available without further appropriation. The Colorado River Basin Project Act provides that appropriations and revenues collected in connection with the operation of the Colorado River storage project shall be available for operations, maintenance, replacements, and emergency expenditures for facilities of the Colorado River storage project and participating projects. The funds are considered inflows of resources to the government.

***American Recovery and Reinvestment Act (ARRA) of 2009 - Water and Related.*** ARRA provided funding to BOR for activities that would normally be financed under the Water and Related Resources Fund. The majority of these funds were provided by appropriations derived from the Reclamation Fund in accordance with Public Law 111-5. This fund is used to meet the criteria set out in ARRA that includes preserving and creating jobs, investing in infrastructure, improving energy efficiency, and providing assistance to Native Americans. BOR programs under ARRA provide for meeting future water supply needs, infrastructure reliability and safety, environmental and ecosystem restoration, the Secretary's Water Conservation initiative, Emergency drought relief, and Green buildings. These efforts will contribute to the long-term sustainability of water and natural resources.

### ***Abandoned Mine Land Fund (AML).***

Public Law 95-87 requires that all operators of coal mining operations pay a reclamation fee on every ton of coal produced. The fees through September 30, 2012, are 31.5 cents per ton of surface mined coal, 13.5 cents per ton of coal mined underground, and 9 cents per ton on lignite. On December 20, 2006, the Surface Mining Control and Reclamation Act (SMCRA) Amendments of 2006 became law as part of the Tax Relief and Health Care Act of 2006 (Public Law 109-432). This law extends the statutory fee rates through September 30, 2021, and eliminates the requirement that Interior establish fee rates thereafter based upon amounts transferred to the United Mine Workers of America Combined Benefit Fund. The new law reduces existing fee rates to 28 cents per ton of surface mined coal, 12 cents per ton of coal mined underground, and 8 cents per ton on lignite for FY 2013 through 2021.

The fees are deposited in the AML Reclamation Fund, which is used primarily to fund abandoned mine land reclamation projects. Under authority of The Pay Reform Act of 1990, Interior invests AML funds in U.S. Treasury Securities. The funds are considered inflows of resources to the government.

***Southern Nevada Public Land Management Fund (SNPLMF).*** The Southern Nevada Public Land Management Act, enacted in October 1998, authorizes BLM to sell public land tracts that are interspersed with or adjacent to private land in the Las Vegas Valley. BLM is authorized to deposit the proceeds as follows: 85 percent in the SNPLMF, 10 percent to the Southern Nevada Water Authority, and 5 percent to the State of Nevada's Education Fund. The revenues generated from the land sales are required to be used by BLM and other government entities to acquire environmentally sensitive lands and build or maintain trails, day-use areas, campgrounds, etc., to benefit public land visitors. The funds are considered inflows of resources to the government.

***Environmental Improvement and Restoration Fund (EIRF).*** The EIRF was created from a distribution of the Alaska Escrow Fund in which half of the principal is invested in Treasury Securities. Monies from the EIRF are invested and earn interest until further Congressional action. Congress permanently appropriates 20 percent of prior fiscal year interest earned by the EIRF to the Department of Commerce for marine research activities. The remaining 80 percent earns interest and can be appropriated by Congress to other agencies, as provided by the law. Assets are not available to Interior unless appropriated by Congress. The funds are considered inflows of resources to the government.

***Other Earmarked Funds.*** Interior is responsible for the management of numerous earmarked funds with a variety of purposes. Funds presented on an individual basis represent the majority of Interior's net position attributable to earmarked funds. All other earmarked funds have been aggregated in accordance with SFFAS 27, *Identifying and Reporting Earmarked Funds*, and are presented in the following tables.

FWS has several appropriations that have a combination of earmarked funding and regular funding. Interior determines earmarked status by appropriation and the policy is to report "mixed" appropriation as earmarked dependent upon the preponderance of funds within the appropriation.



Effective October 1, 2008, FWS changed the reporting designation on two appropriations from earmarked to non-earmarked (North American Wetlands Conservation Fund and State and Tribal Wildlife Grants) based on changes in legislation.

This resulted in the reclassification of unexpended appropriation of \$153 million and cumulative results of operations of \$119 million at the beginning of FY 2009.

### **Indian Affairs**

Power Systems - Indian Irrigation Projects  
 Operation & Maintenance,  
 Indian Irrigation Systems  
 Operation and Maintenance of Quarters  
 Alaska Resupply Program  
 Indian Water Rights and  
 Habitat Acquisition Program  
 Gifts and Donations

### **Bureau of Land Management**

Helium Fund  
 Federal Land Transaction Facilitation Act  
 Naval Oil Shale Petroleum Restoration  
 Lincoln County Land Act  
 MLA, Oil & Gas Pipeline Rights-of-Way  
 Service Charges, Deposits, Forfeitures  
 Exp – Road Maintenance Deposits  
 Land Acquisition  
 Payments to Alaska, Oil & Gas Leases,  
 National Petroleum Reserve  
 Operation & Maintenance of Quarters  
 Fee Collection Support, Public Lands  
 Payments to Nevada, Clark County Lands  
 Range Improvements  
 Ecosystem Health & Recovery  
 NRDA 3rd Party Collections

Timber Pipeline Restoration Fund  
 Recreation Fees Demonstration Site  
 Deschutes County Land Transaction  
 Secure Rural Schools &  
 Community Self-Determination Act  
 Stewardship Contract Prod Sale  
 Permit Processing Fund Mineral Lease  
 Geothermal Steam Act Impress Fund  
 Naval Petroleum Res #2 Lease  
 Payment Proceeds, Water, MLA 1920  
 Payments to Counties,  
 Oregon & California Grant Lands  
 Payments to Coos Bay & Douglas Counties  
 Land & Resources Management Trust Fund  
 Highway Trust Fund  
 Trustee Fund, Alaska Town sites

### **Bureau of Reclamation**

Colorado River Dam Fund –  
 Boulder Canyon Project  
 San Gabriel Restoration Fund  
 Central Valley Project Restoration Fund  
 Reclamation Trust Funds  
 Klamath – Water and Energy  
 North Platte Project – Facility Operations  
 North Platte – Farmers Irrigation District –  
 Facility Operations  
 Reclamation Recreation,  
 Entrance and Use Fees  
 Reclamation Fund General  
 Administration Expenses  
 Quarters Operation and Maintenance  
 San Joaquin River Restoration Fund

### ***U. S. Geological Survey***

Quarters Fund  
Contributed Fund

### ***Office of Surface Mining Reclamation and Enforcement***

Regulation and Technology, Civil Penalties  
Bond Forfeitures

### ***Minerals Management Service***

Payments to States from receipts under Mineral  
Leasing, Public and Acquired Military Lands  
Payments to Alaska from Oil and Gas Leases,  
National Petroleum Reserve  
Payment to Oklahoma, Royalties  
Payments to States, National Forest Fund  
Payments to States, Flood Control Act of 1954  
State's Share from certain Gulf of Mexico Leases  
Coastal Impact Assistance Program  
Geothermal Lease Revenues,  
Payments to Counties  
Oil Spill Research

### ***Departmental Offices***

National Resource Damage Assessment  
and Restoration Fund  
Utah Reclamation Mitigation and  
Conservation Account  
Indian Arts and Crafts Receipts  
Hazardous Substance Response Trust Fund  
National Indian Gaming Commission  
Everglades Restoration  
Take Pride in America Gifts and Bequests  
Departmental Management Land  
and Water Conservation  
Title V Priority Land Acquisition  
Central Utah Project Completion Act

### ***Fish & Wildlife Service***

Cooperative Endangered Species  
Conservation Fund  
Land Acquisition  
Federal Aid in Wildlife Restoration  
Operation and Maintenance of Quarters  
National Wildlife Refuge Fund  
Proceeds from Sales, Water Resource  
Development Projects  
Migratory Bird Conservation Account  
Cooperative Endangered Species Fund  
Wildlife Conservation and Appreciation Fund  
Lahontan Valley and Pyramid Lake  
Fish and Wildlife Fund  
North American Wetlands Conservation Fund  
(FY 2008 only)  
Recreational Fee Demonstration Program  
State and Tribal Wildlife Grants (FY 2008 only)

Private Stewardship Grants  
 Landowner Incentive Program  
 Community Partnership Enhancement  
 Sport Fish Restoration Account  
 Contributed Funds

### ***National Park Service***

Gulf of Mexico Energy Security Act (GOMESA)  
 Centennial Challenge  
 Land Acquisitions and State Assistance  
 Operation and Maintenance of Quarters  
 Fee Demonstration Program  
 National Park Passport Program  
 Park Concessioner's Franchise Fees  
 Donations  
 Federal Highways Administration  
 National Law Enforcement Memorial  
 Delaware Water Gap Route 209 Operations  
 Park Buildings and Maintenance  
 National Park Service Transportation Systems  
 Natural Resource Damage and Restoration  
 National Maritime Heritage  
 Filming and Photos Public Lands  
 Glacier Bay Cruise and Boat Fees  
 Educational Expenses for the Children of  
 Employees of Yellowstone National Park  
 Tax Losses on Lands Surrounding  
 Grand Teton National Park  
 Birthplace of Abraham Lincoln  
 Federal Highways Construction  
 Historic Black Colleges

## NOTES TO PRINCIPAL FINANCIAL STATEMENTS

Interior's earmarked funds as of and for the year ended September 30, 2009, consist of the following:

<i>(dollars in thousands)</i>	Land and Water Conservation Fund	Historic Preservation Fund	Reclamation Fund	Water and Related Resources Fund	Lower Colorado River Basin Fund
<b>ASSETS</b>					
Fund Balance with Treasury	\$ 16,641,200	\$ 2,842,749	\$ 7,769,024	\$ 1,108,250	\$ 1,298
Investments, Net	-	-	-	-	524,976
Accounts Receivable, Net	-	-	374,043	28,796	11,473
Loans Receivable, Net	-	-	3,338,755	-	-
General Property, Plant, and Equipment, Net	-	-	-	7,516,695	2,942,277
Other Assets	-	1,339	-	57,145	93,975
<b>TOTAL ASSETS</b>	<b>\$ 16,641,200</b>	<b>\$ 2,844,088</b>	<b>\$ 11,481,822</b>	<b>\$ 8,710,886</b>	<b>\$ 3,573,999</b>
<b>LIABILITIES</b>					
Accounts Payable	-	-	-	118,621	3,884
Debt	-	-	-	-	-
Other Liabilities	-	5	88	2,226,169	14,341
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>5</b>	<b>88</b>	<b>2,344,790</b>	<b>18,225</b>
<b>NET POSITION</b>					
Unexpended Appropriations	-	-	-	195,998	14,829
Cumulative Results of Operations	16,641,200	2,844,083	11,481,734	6,170,098	3,540,945
<b>TOTAL NET POSITION</b>	<b>16,641,200</b>	<b>2,844,083</b>	<b>11,481,734</b>	<b>6,366,096</b>	<b>3,555,774</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 16,641,200</b>	<b>\$ 2,844,088</b>	<b>\$ 11,481,822</b>	<b>\$ 8,710,886</b>	<b>\$ 3,573,999</b>
<b>COST/REVENUE</b>					
Gross Costs	-	70,554	1,003	1,108,434	189,224
Earned Revenue	-	-	(423,138)	(333,702)	(205,410)
<b>NET COST OF OPERATIONS</b>	<b>\$ -</b>	<b>\$ 70,554</b>	<b>\$ (422,135)</b>	<b>\$ 774,732</b>	<b>\$ (16,186)</b>
<b>NET POSITION</b>					
Net Position, Beginning Balance	16,023,784	2,767,352	11,381,209	6,163,422	3,517,456
Change in Earmarked Classification	-	-	-	-	-
Net Position, Beginning Balance as Adjusted	16,023,784	2,767,352	11,381,209	6,163,422	3,517,456
Appropriations Received/Transferred and Other Adjustments	-	-	-	79,673	23,130
Royalties Retained	901,084	150,000	1,335,300	-	-
Non-Exchange Revenue and Donations	586	-	5,402	842	-
Other Financing sources	-	-	-	-	-
Transfers In/(Out) without Reimbursement	(284,254)	(262)	(1,651,596)	789,788	(998)
Imputed Financing from Costs Absorbed by Others	-	-	56	107,103	-
Other	-	(2,453)	(10,772)	-	-
Net Cost of Operations	-	(70,554)	422,135	(774,732)	16,186
Change in Net Position	617,416	76,731	100,525	202,674	38,318
<b>NET POSITION, ENDING BALANCE</b>	<b>\$ 16,641,200</b>	<b>\$ 2,844,083</b>	<b>\$ 11,481,734</b>	<b>\$ 6,366,096</b>	<b>\$ 3,555,774</b>

# NOTES TO PRINCIPAL FINANCIAL STATEMENTS

Upper Colorado River Basin Fund	American Recovery and Reinvestment Act - Water and Related (BOR)	Abandoned Mine Land Fund	Southern Nevada Public Land Mgmt. Fund	Environmental Improvement & Restoration Fund	Other Earmarked Funds	FY 2009
\$ 162,709	\$ 877,790	\$ 14,175	\$ 168,105	\$ 1	\$ 3,222,276	\$ 32,807,577
-	-	2,538,988	1,612,475	1,174,092	1,134,493	6,985,024
184	-	747	2	-	1,791,959	2,207,204
-	-	-	-	-	-	3,338,755
2,421,841	8,138	3,884	59,363	-	705,317	13,657,515
827	36,236	-	25	-	264,303	453,850
\$ 2,585,561	\$ 922,164	\$ 2,557,794	\$ 1,839,970	\$ 1,174,093	\$ 7,118,348	\$ 59,449,925
76,608	567	450	51,635	-	612,872	864,637
-	-	-	-	-	579,204	579,204
200,332	638	36,037	13,858	-	940,847	3,432,315
276,940	1,205	36,487	65,493	-	2,132,923	4,876,156
33,866	110,971	-	-	-	92,553	448,217
2,274,755	809,988	2,521,307	1,774,477	1,174,093	4,892,872	54,125,552
2,308,621	920,959	2,521,307	1,774,477	1,174,093	4,985,425	54,573,769
\$ 2,585,561	\$ 922,164	\$ 2,557,794	\$ 1,839,970	\$ 1,174,093	\$ 7,118,348	\$ 59,449,925
106,599	29,045	266,590	257,032	-	4,010,274	6,038,755
(76,398)	-	(450)	(24,543)	-	(752,474)	(1,816,115)
\$ 30,201	\$ 29,045	\$ 266,140	\$ 232,489	\$ -	\$ 3,257,800	\$ 4,222,640
2,265,515	-	2,464,261	2,026,237	1,135,342	4,785,177	52,529,755
-	-	-	-	-	(271,442)	(271,442)
2,265,515	-	2,464,261	2,026,237	1,135,342	4,513,735	52,258,313
47,682	111,503	-	-	-	223,907	485,895
-	-	-	-	-	2,072,415	4,458,799
10,138	-	328,061	-	38,751	670,175	1,053,955
-	-	-	-	-	-	-
(3,748)	838,497	(4,874)	(19,500)	-	766,778	429,831
19,234	4	-	228	-	6,786	133,411
-	-	-	1	-	(10,571)	(23,795)
(30,201)	(29,045)	(266,140)	(232,489)	-	(3,257,800)	(4,222,640)
43,105	920,959	57,047	(251,760)	38,751	471,690	2,315,456
\$ 2,308,620	\$ 920,959	\$ 2,521,308	\$ 1,774,477	\$ 1,174,093	\$ 4,985,425	\$ 54,573,769

## NOTES TO PRINCIPAL FINANCIAL STATEMENTS

Interior's earmarked funds as of and for the year ended September 30, 2008, consist of the following:

<i>(dollars in thousands)</i>	Land and Water Conservation Fund	Historic Preservation Fund	Reclamation Fund	Water and Related Resources Fund
<b>ASSETS</b>				
Fund Balance with Treasury	\$ 16,023,784	\$ 2,767,090	\$ 7,816,347	\$ 1,091,175
Investments, Net	-	-	-	-
Accounts Receivable, Net	-	-	500,983	28,299
Loans Receivable, Net	-	-	3,063,916	-
General Property, Plant, and Equipment, Net	-	-	-	7,344,209
Other Assets	-	269	-	38,602
<b>TOTAL ASSETS</b>	<b>\$ 16,023,784</b>	<b>\$ 2,767,359</b>	<b>\$ 11,381,246</b>	<b>\$ 8,502,285</b>
<b>LIABILITIES</b>				
Accounts Payable	-	3	-	86,621
Debt	-	-	-	-
Other Liabilities	-	4	37	2,252,242
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>7</b>	<b>37</b>	<b>2,338,863</b>
<b>NET POSITION</b>				
Unexpended Appropriations	-	-	-	201,965
Cumulative Results of Operations	16,023,784	2,767,352	11,381,209	5,961,457
<b>TOTAL NET POSITION</b>	<b>16,023,784</b>	<b>2,767,352</b>	<b>11,381,209</b>	<b>6,163,422</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 16,023,784</b>	<b>\$ 2,767,359</b>	<b>\$ 11,381,246</b>	<b>\$ 8,502,285</b>
<b>COST/REVENUE</b>				
Gross Costs	-	67,027	(1,244)	1,234,418
Earned Revenue	-	-	(349,937)	(255,475)
<b>NET COST OF OPERATIONS</b>	<b>\$ -</b>	<b>\$ 67,027</b>	<b>\$ (351,181)</b>	<b>\$ 978,943</b>
<b>NET POSITION</b>				
Net Position, Beginning Balance	15,372,152	2,684,722	9,918,473	6,040,047
Appropriations Received/Transferred and Other Adjustments	-	-	-	94,009
Royalties Retained	906,687	152,032	1,940,820	-
Non-Exchange Revenue and Donations	-	-	(22)	826
Other Financing Sources	-	-	-	-
Transfers In/(Out) without Reimbursement	(255,055)	-	(816,843)	907,414
Imputed Financing from Costs Absorbed by Others	-	-	135	100,069
Other	-	(2,375)	(12,535)	-
Net Cost of Operations	-	(67,027)	351,181	(978,943)
Change in Net Position	651,632	82,630	1,462,736	123,375
<b>NET POSITION, ENDING BALANCE</b>	<b>\$ 16,023,784</b>	<b>\$ 2,767,352</b>	<b>\$ 11,381,209</b>	<b>\$ 6,163,422</b>

# NOTES TO PRINCIPAL FINANCIAL STATEMENTS

Lower Colorado River Basin Fund	Upper Colorado River Basin Fund	Abandoned Mine Land Fund	Southern Nevada Public Land Mgmt. Fund	Environmental Improvement & Restoration Fund	Other Earmarked Funds	FY 2008
\$ 13,485	\$ 165,055	\$ 11,099	\$ 164,784	\$ -	\$ 3,096,910	\$ 31,149,729
445,710	-	2,437,237	1,885,871	1,135,342	1,196,348	7,100,508
12,928	305	21,389	5	-	1,852,008	2,415,917
-	-	-	-	-	-	3,063,916
2,961,751	2,381,686	-	29,846	-	661,722	13,379,214
102,545	479	-	73	-	236,793	378,761
\$ 3,536,419	\$ 2,547,525	\$ 2,469,725	\$ 2,080,579	\$ 1,135,342	\$ 7,043,781	\$ 57,488,045
14,266	76,751	327	37,199	-	577,930	793,097
-	-	-	-	-	644,204	644,204
4,697	205,259	5,137	17,143	-	1,036,470	3,520,989
18,963	282,010	5,464	54,342	-	2,258,604	4,958,290
11,757	28,498	-	-	-	173,995	416,215
3,505,699	2,237,017	2,464,261	2,026,237	1,135,342	4,611,182	52,113,540
3,517,456	2,265,515	2,464,261	2,026,237	1,135,342	4,785,177	52,529,755
\$ 3,536,419	\$ 2,547,525	\$ 2,469,725	\$ 2,080,579	\$ 1,135,342	\$ 7,043,781	\$ 57,488,045
181,892	144,928	262,678	224,328	-	4,636,189	6,750,216
(195,277)	(81,557)	(4,603)	(84,529)	-	(831,548)	(1,802,926)
\$ (13,385)	\$ 63,371	\$ 258,075	\$ 139,799	\$ -	\$ 3,804,641	\$ 4,947,290
3,475,040	2,254,533	2,353,551	2,168,925	1,097,830	4,118,330	49,483,603
26,893	59,908	-	-	-	299,915	480,725
-	-	-	-	-	2,796,909	5,796,448
2,566	(1)	369,850	-	37,512	594,078	1,004,809
-	-	-	-	-	-	-
(428)	(3,958)	(1,065)	(3,468)	-	765,884	592,481
-	18,404	-	411	-	14,733	133,752
-	-	-	168	-	(31)	(14,773)
13,385	(63,371)	(258,075)	(139,799)	-	(3,804,641)	(4,947,290)
42,416	10,982	110,710	(142,688)	37,512	666,847	3,046,152
\$ 3,517,456	\$ 2,265,515	\$ 2,464,261	\$ 2,026,237	\$ 1,135,342	\$ 4,785,177	\$ 52,529,755



## NOTE 21. LIABILITY FOR CAPITAL TRANSFER TO THE GENERAL FUND OF THE TREASURY

Interior records an intragovernmental liability for DO and BOR appropriations determined to be recoverable from project beneficiaries when funds are received and meet the requirement for repayment. Interior decreases the liability when payments are received from these beneficiaries and, subsequently, transferred to Treasury's General Fund. Interest is accumulated on this liability pursuant to authorizing project legislation or

administrative policy. Interest rates used during FY 2009 and 2008 ranged from 2.63 to 9.84 percent, respectively. Repayment is generally over a period not to exceed 50 years from the time revenue producing assets are placed in service. Repayment to Treasury's General Fund is dependent upon actual water and power delivered to customers (through Western Area Power Administration); as such, there is no structured repayment schedule.

<i>(dollars in thousands)</i>	FY 2009	FY 2008
Beginning Balance	\$ 2,050,466	\$ 2,017,581
Costs Incurred and Adjustments	26,431	9,303
Collections	(16,620)	37,865
Repayments to Treasury	(11,838)	(14,283)
Ending Balance	\$ 2,048,439	\$ 2,050,466

## NOTE 22. FIDUCIARY ACTIVITIES

Effective October 1, 2008, Interior adopted SFFAS 31, *Accounting for Fiduciary Activities*. In accordance with this standard, Interior did not recognize fiduciary activities on the FY 2009 financial statements and included a note disclosure on FY 2009 information about Interior's fiduciary activities. In accordance with such provisions, Interior did not present comparative 2008 fiduciary disclosures. Adoption of this standard did not require restatement of prior period amounts, but did result in the removal of fiduciary assets of and liabilities of \$305 million and unobligated budgetary resources of \$103 million from the beginning balances for FY 2009. Interior did not present comparative FY 2008 fiduciary activity.

Fiduciary activities are the collection or receipt, and the subsequent management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold. Fiduciary cash and other assets are not assets of the Federal Government and are not recognized on the balance sheet. Fiduciary activities are no longer recognized on the proprietary financial statements (see SFFAS 31, *Accounting for Fiduciary Activities*).

### Fiduciary Net Assets

<i>(dollars in thousands)</i>	FY 2009 Fiduciary Funds
Cash and Cash Equivalents	\$420,207
Investments	3,148,056
Other Assets: Accrued Interest Receivable	30,010
Other Assets: Other Income Receivable	16,946
Less: Accounts Payable	(3)
Total Fiduciary Net Assets	\$3,615,216

### Schedule of Fiduciary Activity

<i>(dollars in thousands)</i>	FY 2009 Fiduciary Funds
Contributions	\$ 761,628
Investment Earnings	151,144
Gain (Loss) on Investments, Net	5,232
Less Beneficiary Disbursements	(827,333)
Increase (Decrease) in Fiduciary Assets	\$ 90,671
Fiduciary Net Assets, Beginning of Year	3,524,545
Fiduciary Net Assets, End of Year	\$ 3,615,216

The Department of the Interior maintains accounts for Tribal and Other Trust Funds (including the Alaska Native Escrow Fund and IIM Trust Funds) in accordance with the American Indian Trust Fund Management Reform Act of 1994. The fiduciary

**Schedule of Changes in Non-Valued Fiduciary Assets**

Regions	FY 2009 Fiduciary Funds
Beginning Quantity	12
Additions	-
Dispositions	-
Net Increase (Decrease)	-
Ending Quantity	12

Non-valued fiduciary assets are reported in terms of units. The unit is defined as the number of regions in this context similar to how the units were defined for stewardship land. Interior manages its land held in trust through 12 administrative regions.

balances that have accumulated in these funds have resulted from land use agreements, royalties on natural resource depletion, other proceeds derived directly from trust resources, judgment awards, settlements of claims, and investment income. These funds are maintained for the benefit of individual Native Americans as well as for designated Indian tribes.

**Separately Issued Financial Statements**

Interior issues separately available financial statements for (1) Tribal and Other Trust Funds, and (2) Individual Indian Monies (IIM).

The Tribal and Other Trust Fund Statement of Assets and Trust Fund Balances and Statement of Changes in Trust Fund Balances were prepared using a cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. The cash basis of accounting differs from GAAP in that receivables and payables are not accrued and investment premiums and discounts are not amortized or accreted. Receipts are recorded when received, disbursements are recorded when paid, and investments are stated at historical cost.

The IIM Trust Funds Statement of Assets and Trust Fund Balances and Statement of Changes in Trust Fund Balances were prepared using a modified cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. The modified cash basis of accounting differs from GAAP in that receivables and payables are not accrued,

with the exception of interest earned on invested funds (including discount accretion and premium amortization). Receipts are recorded when received with the exception of interest, and disbursements are recorded when paid. Interest is recorded when earned, including accretion/amortization of investment discounts and premiums. Investments are stated at amortized cost.

**Audit Results.** With Office of Inspector General oversight, independent auditors audited the Tribal and Other Trust Funds and the IIM Trust Funds financial statements as of September 30, 2009 and 2008. The independent auditors indicated that the financial statements were prepared on the cash or modified cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. In addition, the independent auditors' reports were qualified as a result of the following:

- ▶ Regarding the Tribal and Other Trust Funds, it was not practicable for the independent auditors to extend audit procedures sufficiently to satisfy themselves as to the fairness of the trust fund balances due to the effects of certain parties for whom Interior holds assets in trust do not agree with balances recorded by Interior and/or have requested an accounting of their trust funds. Some of these parties have filed claims against the U.S. Government.
- ▶ Regarding the Individual Indian Monies Trust Funds, it was not practicable for the independent auditors to extend audit procedures sufficiently to satisfy themselves as to the fairness of the trust fund balances due to the effects of certain parties for whom Interior holds assets in trust having filed a class action lawsuit for an accounting of the individuals' trust funds.

For more information, see separately issued auditors' report and OST financial statements. A copy of the OST financial statements and audit opinion is available at: <http://www.doi.gov/ost/documents/>

## REQUIRED SUPPLEMENTARY INFORMATION

### Unaudited, see accompanying Auditors' Report

This section includes the Combining Statement of Budgetary Resources by major budget account (Budgetary Accounts), deferred maintenance information, and heritage asset and stewardship land condition information.

#### Combining Statement of Budgetary Resources for the Fiscal Year ended September 30, 2009 (dollars in thousands)

	Interior Franchise Fund	Working Capital Fund	Water and Related Resources	National Park Service Operations	Management of Land and Resources
<b>Budgetary Resources:</b>					
Unobligated balance, beginning of Fiscal Year:	72,681	118,295	550,240	87,535	177,830
Change in accounting principle	-	-	-	-	-
Recoveries of prior year unpaid obligations	-	12,785	41,069	22,103	25,754
Budget Authority					
Appropriation	-	73,435	1,759,568	2,131,529	905,374
Spending authority from offsetting collections					
Earned					
Collected	861,413	1,295,370	367,609	22,601	131,301
Change in receivables from Federal sources	31,396	24,189	(1,730)	82	9,480
Change in unfilled customer orders					
Advance received	46,369	(6,784)	(50,244)	-	164
Without advance from Federal sources	155,200	45,667	69,489	-	(36,695)
Anticipated for rest of year, without advances	-	-	-	-	-
Total Budget Authority	1,094,378	1,431,877	2,144,692	2,154,212	1,009,624
Nonexpenditure transfers, net, anticipated and actual	-	-	(912,159)	328	8,150
Temporarily not available pursuant to Public Law	-	-	-	-	-
Permanently not available	-	-	-	(9,748)	-
Total Budgetary Resources	1,167,059	1,562,957	1,823,842	2,254,430	1,221,358
<b>Status of Budgetary Resources:</b>					
Obligations incurred:					
Direct	1,099	(42,952)	889,489	2,120,367	904,990
Reimbursable	1,021,091	1,442,478	407,932	20,809	129,292
Total Obligations incurred	1,022,190	1,399,526	1,297,421	2,141,176	1,034,282
Unobligated balance available:					
Apportioned	144,869	163,431	526,365	70,411	187,076
Exempt from apportionment	-	-	56	-	-
Total Unobligated balance available	144,869	163,431	526,421	70,411	187,076
Unobligated balance not available	-	-	-	42,843	-
Total Status of Budgetary Resources	1,167,059	1,562,957	1,823,842	2,254,430	1,221,358
<b>Change In Obligated Balance:</b>					
Obligated balance, net					
Unpaid obligations, brought forward, beginning of Fiscal Year	642,008	436,450	621,606	446,538	292,424
Less: Uncollected customer payments from Federal sources, brought forward, beginning of Fiscal Year	(295,993)	(219,553)	(80,369)	(287)	(176,476)
Total unpaid obligated balances, net, beginning of Fiscal Year	346,015	216,897	541,237	446,251	115,948
Obligations incurred, net	1,022,190	1,399,526	1,297,421	2,141,176	1,034,282
Less: Gross outlays	(851,902)	(1,346,949)	(1,147,487)	(2,066,183)	(1,008,777)
Less: Recoveries of prior year unpaid obligations, actual	-	(12,785)	(41,069)	(22,103)	(25,754)
Change in uncollected customer payments from Federal sources	(186,596)	(69,856)	(67,759)	(82)	27,215
Total unpaid obligated balance, net, end of period	329,707	186,833	582,343	499,059	142,914
<b>Obligated balance, net, end of period (by component):</b>					
Unpaid obligations	812,297	476,242	730,471	499,429	292,175
Less: Uncollected customer payments from Federal sources,	(482,590)	(289,409)	(148,128)	(370)	(149,261)
Total unpaid obligated balance, net, end of period	329,707	186,833	582,343	499,059	142,914
<b>Net Outlays:</b>					
Net Outlays					
Gross outlays	851,902	1,346,949	1,147,487	2,066,183	1,008,777
Less: Offsetting collections	(907,782)	(1,288,586)	(317,365)	(22,601)	(131,465)
Less: Distributed Offsetting receipts	-	-	(532)	-	-
Net Outlays(Receipts)	(55,880)	58,363	829,590	2,043,582	877,312

**Combining Statement of Budgetary Resources  
for the Fiscal Year ended September 30, 2009**  
(dollars in thousands)

Wildland Fire Management	Bureau of Land Management Operations	Fish and Wildlife Resource Management	Minerals Leasing and Associated Payments	Operation of Indian Programs	Survey, Investigation and Research	Other Budgetary Accounts - ARRA	Other Budgetary Accounts	FY 2009 Total Budgetary Accounts
220,868	988,984	151,708	-	520,470	330,650	-	3,861,372	7,080,633
-	-	-	-	-	-	-	(102,507)	(102,507)
17,998	44,015	27,119	-	27,949	4,572	-	242,701	466,065
909,453	113,814	1,140,962	1,838,522	2,128,630	1,043,803	1,636,503	6,176,594	19,858,187
17,925	-	175,927	-	255,785	446,949	70	1,300,173	4,875,123
(2,346)	-	(6,571)	-	(9,274)	(2,031)	217	10,947	54,359
(345)	-	(579)	-	6,671	6,469	-	41,286	43,007
(295)	-	(5,001)	-	9,296	(11,808)	2,292	(13,812)	214,333
-	-	-	-	-	-	-	-	-
924,392	113,814	1,304,738	1,838,522	2,391,108	1,483,382	1,639,082	7,515,188	25,045,009
(166)	19	7,800	-	(880)	-	788,497	(108,254)	(216,665)
-	-	-	-	-	-	-	-	-
-	(13,045)	(77)	-	-	(4,841)	-	(36,970)	(64,681)
1,163,092	1,133,787	1,491,288	1,838,522	2,938,647	1,813,763	2,427,579	11,371,530	32,207,854
765,020	244,680	1,161,272	1,838,522	2,124,923	1,010,788	659,244	5,708,202	17,385,644
16,992	-	143,304	-	241,416	434,042	394	1,296,511	5,154,261
782,012	244,680	1,304,576	1,838,522	2,366,339	1,444,830	659,638	7,004,713	22,539,905
381,080	889,107	177,353	-	488,716	356,023	1,767,941	4,297,606	9,449,978
-	-	-	-	-	-	-	34,877	34,933
381,080	889,107	177,353	-	488,716	356,023	1,767,941	4,332,483	9,484,911
-	-	9,359	-	83,592	12,910	-	34,334	183,038
1,163,092	1,133,787	1,491,288	1,838,522	2,938,647	1,813,763	2,427,579	11,371,530	32,207,854
258,751	1,303,118	385,556	-	335,038	305,037	-	4,196,943	9,223,469
(10,945)	-	(128,436)	-	(110,744)	(436,998)	-	(286,974)	(1,746,775)
247,806	1,303,118	257,120	-	224,294	(131,961)	-	3,909,969	7,476,694
782,012	244,680	1,304,576	1,838,522	2,366,339	1,444,830	659,638	7,004,713	22,539,905
(785,049)	(400,263)	(1,285,406)	(1,838,522)	(2,341,344)	(1,454,794)	(108,278)	(6,825,589)	(21,460,543)
(17,998)	(44,015)	(27,119)	-	(27,949)	(4,572)	-	(242,701)	(466,065)
2,641	-	11,572	-	(22)	13,839	(2,509)	2,865	(268,692)
229,412	1,103,520	260,743	-	221,318	(132,658)	548,851	3,849,257	7,821,299
237,717	1,103,520	377,606	-	332,083	290,501	551,359	4,133,365	9,836,765
(8,305)	-	(116,863)	-	(110,765)	(423,159)	(2,508)	(284,108)	(2,015,466)
229,412	1,103,520	260,743	-	221,318	(132,658)	548,851	3,849,257	7,821,299
785,049	400,263	1,285,406	1,838,522	2,341,344	1,454,794	108,278	6,825,589	21,460,543
(17,579)	-	(175,348)	-	(262,457)	(453,418)	(70)	(1,341,459)	(4,918,130)
-	(86,894)	-	(1,838,522)	-	-	-	(3,331,439)	(5,257,387)
767,470	313,369	1,110,058	-	2,078,887	1,001,376	108,208	2,152,691	11,285,026

**Combining Statement of Budgetary Resources  
for the Fiscal Year ended September 30, 2008**  
(dollars in thousands)

	Interior Franchise Fund	Working Capital Fund	Water and Related Resources	National Park Service Operations	Management of Land and Resources
<b>Budgetary Resources:</b>					
Unobligated balance, beginning of Fiscal Year:	\$ 119,208	\$ 99,232	\$ 208,344	\$ 71,126	\$ 44,926
Recoveries of prior year unpaid obligations	-	15,662	31,801	19,071	27,841
Budget Authority					
Appropriation	-	40,727	946,129	2,001,809	870,911
Spending authority from offsetting collections	-	-	-	-	-
Earned	-	-	-	-	-
Collected	741,080	1,267,842	258,481	19,757	139,630
Change in receivables from Federal sources	51,175	1,712	6,911	(95)	(14,997)
Change in unfilled customer orders					
Advance received	(217,378)	(65,026)	179,753	-	-
Without advance from Federal sources	173,899	57,459	(2,471)	-	151,727
Total Budget Authority	748,776	1,302,714	1,388,803	2,021,471	1,147,271
Nonexpenditure transfers, net, anticipated and actual	-	-	85,246	244	(60)
Temporarily not available pursuant to Public Law	-	-	-	-	-
Permanently not available	-	(635)	-	(40,242)	(13,532)
Total Budgetary Resources	\$ 867,984	\$ 1,416,973	\$ 1,714,194	\$ 2,071,670	\$ 1,206,446
<b>Status of Budgetary Resources:</b>					
Obligations incurred:					
Direct	\$ -	\$ (7,383)	\$ 907,332	\$ 1,965,411	\$ 927,958
Reimbursable	795,303	1,306,061	256,622	18,724	100,658
Total Obligations incurred	795,303	1,298,678	1,163,954	1,984,135	1,028,616
Unobligated balance available:					
Apportioned	72,681	118,295	550,185	55,407	177,830
Exempt from apportionment	-	-	48	69	-
Total Unobligated balance available	72,681	118,295	550,233	55,476	177,830
Unobligated balance not available	-	-	7	32,059	-
Total Status of Budgetary Resources	\$ 867,984	\$ 1,416,973	\$ 1,714,194	\$ 2,071,670	\$ 1,206,446
<b>Obligated Balance:</b>					
Obligated balance, net					
Unpaid obligations, brought forward, beginning of Fiscal Year	\$ 622,942	\$ 433,472	\$ 635,189	\$ 418,343	\$ 276,607
Less: Uncollected customer payments from Federal sources, brought forward, beginning of Fiscal Year	(70,919)	(160,382)	(75,929)	(382)	(39,746)
Total unpaid obligated balances, net, beginning of Fiscal Year	552,023	273,090	559,260	417,961	236,861
Obligations incurred, net	795,303	1,298,678	1,163,954	1,984,135	1,028,616
Less: Gross outlays	(776,237)	(1,280,038)	(1,145,736)	(1,936,869)	(984,958)
Less: Recoveries of prior year unpaid obligations, actual	-	(15,662)	(31,801)	(19,071)	(27,841)
Change in uncollected customer payments from Federal sources	(225,074)	(59,171)	(4,440)	95	(136,730)
Total unpaid obligated balance, net, end of period	\$ 346,015	\$ 216,897	\$ 541,237	\$ 446,251	\$ 115,948
<b>Obligated balance, net, end of period (by component):</b>					
Unpaid obligations	642,008	436,450	621,606	446,538	292,424
Less: Uncollected customer payments from Federal sources,	(295,993)	(219,553)	(80,369)	(287)	(176,476)
Total unpaid obligated balance, net, end of period	\$ 346,015	\$ 216,897	\$ 541,237	\$ 446,251	\$ 115,948
<b>Net Outlays:</b>					
Net Outlays					
Gross outlays	776,237	1,280,038	1,145,736	1,936,869	984,958
Less: Offsetting collections	(523,702)	(1,202,816)	(438,235)	(19,757)	(139,630)
Less: Distributed Offsetting receipts	-	-	(256)	-	-
Net Outlays (Receipts)	\$ 252,535	\$ 77,222	\$ 707,245	\$ 1,917,112	\$ 845,328

**Combining Statement of Budgetary Resources  
for the Fiscal Year ended September 30, 2008**

*(dollars in thousands)*

Wildland Fire Management	Bureau of Land Management Operations	Fish and Wildlife Resource Management	Minerals Leasing and Associated Payments	Operation of Indian Programs	Survey, Investigation and Research	Other Budgetary Accounts	FY 2008 Total Budgetary Accounts
\$ 54,827	\$ 1,054,135	\$ 89,160	\$ -	\$ 600,853	\$ 50,625	\$ 3,331,987	\$ 5,724,423
26,022	33,903	20,224	-	25,638	5,772	282,868	488,802
1,204,878	199,340	1,099,772	2,456,778	2,080,261	1,022,430	5,736,851	17,659,886
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
27,818	-	153,880	-	301,824	443,348	1,320,447	4,674,107
3,156	-	3,210	-	1,302	12,304	6,389	71,067
(254)	-	2,371	-	24,807	312	6,188	(69,227)
1,010	-	65,959	-	(105,168)	262,558	(16,742)	588,231
1,236,608	199,340	1,325,192	2,456,778	2,303,026	1,740,952	7,053,133	22,924,064
(111,397)	(21)	5,800	-	2,890	5,100	(13,330)	(25,528)
-	-	-	-	-	-	(2,643)	(2,643)
(12,806)	-	(17,949)	-	(32,452)	(23,170)	(59,538)	(200,324)
\$ 1,193,254	\$ 1,287,357	\$ 1,422,427	\$ 2,456,778	\$ 2,899,955	\$ 1,779,279	\$ 10,592,477	\$ 28,908,794
\$ 945,319	\$ 298,373	\$ 1,129,770	\$ 2,456,778	\$ 2,061,851	\$ 989,399	\$ 5,414,112	\$ 17,088,920
27,067	-	140,949	-	317,634	459,230	1,316,993	4,739,241
972,386	298,373	1,270,719	2,456,778	2,379,485	1,448,629	6,731,105	21,828,161
220,868	988,984	145,324	-	415,593	314,827	3,791,108	6,851,102
-	-	-	-	-	-	40,565	40,682
220,868	988,984	145,324	-	415,593	314,827	3,831,673	6,891,784
-	-	6,384	-	104,877	15,823	29,699	188,849
\$ 1,193,254	\$ 1,287,357	\$ 1,422,427	\$ 2,456,778	\$ 2,899,955	\$ 1,779,279	\$ 10,592,477	\$ 28,908,794
\$ 286,907	\$ 1,385,490	\$ 347,451	\$ -	\$ 296,599	\$ 298,931	\$ 4,091,418	\$ 9,093,349
(6,780)	-	(59,266)	-	(214,610)	(162,137)	(297,326)	(1,087,477)
280,127	1,385,490	288,185	-	81,989	136,794	3,794,092	8,005,872
972,386	298,373	1,270,719	2,456,778	2,379,485	1,448,629	6,731,105	21,828,161
(974,519)	(346,842)	(1,212,391)	(2,456,778)	(2,315,408)	(1,436,750)	(6,342,713)	(21,209,239)
(26,022)	(33,903)	(20,224)	-	(25,638)	(5,772)	(282,868)	(488,802)
(4,166)	-	(69,169)	-	103,866	(274,862)	10,353	(659,298)
\$ 247,806	\$ 1,303,118	\$ 257,120	\$ -	\$ 224,294	\$ (131,961)	\$ 3,909,969	\$ 7,476,694
258,751	1,303,118	385,556	-	335,038	305,037	4,196,943	9,223,469
(10,945)	-	(128,436)	-	(110,744)	(436,998)	(286,974)	(1,746,775)
\$ 247,806	\$ 1,303,118	\$ 257,120	\$ -	\$ 224,294	\$ (131,961)	\$ 3,909,969	\$ 7,476,694
974,519	346,842	1,212,391	2,456,778	2,315,408	1,436,750	6,342,713	21,209,239
(27,564)	-	(156,250)	-	(326,631)	(443,660)	(1,326,636)	(4,604,881)
-	(185,938)	-	(2,456,778)	-	-	(4,281,497)	(6,924,469)
\$ 946,955	\$ 160,904	\$ 1,056,141	\$ -	\$ 1,988,777	\$ 993,090	\$ 734,580	\$ 9,679,889

## Deferred Maintenance

Interior owns, builds, purchases, and contracts services for assets such as schools, office buildings, roads, bridges, dams, irrigation systems, and reservoirs. These assets are utilized and maintained in support of Interior's mission and the missions of its bureaus. When maintenance is not completed on assets as needed or scheduled and is delayed into the future, it is defined as deferred maintenance.

Deferred maintenance can have an adverse affect on Interior's ability to carry out its mission. For example, a lack of maintenance on windows, heating, ventilation, and air conditioning (HVAC) systems, or other components of a constructed asset, typically results in increased energy costs. Excess energy usage needlessly expends limited resources that could otherwise be focused towards mission delivery. If the deferred maintenance is on windows or a HVAC in a visitor center, for example, this can lead to a less than optimal visitor experience, which has a direct effect on a bureau's mission.

Similarly, deteriorated offices, laboratories, and schools result in an inefficient and potentially unsafe working environment and a poor learning environment that negatively impacts morale, the ability to attract and retain talented employees, educate Native American students, and satisfy visitors to Interior's facilities. In addition, since one mission of Interior bureaus is to maintain facilities for recreational use by the public, assets that pose a health and safety threat cannot be made available for public use until repairs can be made. Undue wear on facilities may not be immediately noticeable to users, but over time inadequate maintenance can require that a facility be replaced or undergo major reconstruction before reaching the end of its expected useful life.

### Planning to Reduce Deferred Maintenance

Interior has a 5-year planning process that provides a framework for improved planning and management of maintenance and construction programs at BLM, USGS, FWS, NPS, BOR, and IA. Interior's 5-year plan is updated annually to reflect a 5-year picture of the bureaus' deferred maintenance and capital improvement needs. The annual update presents the opportunity for bureaus to adjust project priorities based on newly identified needs or previously identified needs that have become more critical during the past year. The 5-year planning process emphasizes projects that eliminate deferred maintenance by addressing

health and safety issues, ensuring resource protection, and addressing mission critical assets.

In preparing the plan, bureaus follow uniform criteria including health and safety, resource protection, mission criticality, and energy efficiency/building sustainability. These criteria are reviewed annually for alignment with strategic plans, OMB guidance, recent laws, and Executive Orders.

The 5-year planning process is a critical element in the implementation of the Interior Asset management plan, bureau asset management plans, and site-specific asset business plans.

### Condition Assessment Surveys

Interior uses performance measures to help managers improve the condition of assets. The maintenance needs of Interior's real property assets are identified primarily through the annual and comprehensive condition assessment processes required of all bureaus. Interior maintains a cyclic/recurring condition assessment process to monitor the condition of buildings and other facilities at least once every 5 years.

Interior uses condition assessment surveys to determine deferred maintenance for each class of assets. A condition assessment survey is the periodic inspection of real property to determine its current condition and to provide a cost estimate for necessary repairs. Annual condition assessments are performed on all standard constructed assets with a current replacement value of \$5,000 or more and are performed by field operating unit staff.

Comprehensive condition assessments are performed on all constructed assets with a current replacement value of \$50,000 or more once every 5 years. Comprehensive assessments are usually performed under contract; the contract includes an inspection of the facility and all component systems, a summary of deficiencies found, cost estimates for the deficiencies, and a recalculation of the facility condition index.

Interior's current estimate for deferred maintenance includes the following real property categories: nonheritage and heritage buildings and structures including multiuse assets, road assets, dams, water distribution systems, and power assets, etc. Due to the scope, nature, and variety of the assets entrusted to Interior, as well as the nature of deferred maintenance itself, exact estimates are very difficult to determine. Therefore, estimates are reported as a range to an accuracy level of minus 15 percent to plus 25 percent.



**FY 2009 Deferred Maintenance Estimates**  
(dollars in thousands)

Type of Deferred Maintenance	General PP&E		Stewardship PP&E		Total	
	Low End of Range	High End of Range	Low End of Range	High End of Range	Low End of Range	High End of Range
<b>Estimated</b>						
Roads Bridges and Trails	\$5,248,319	\$7,718,841	\$979,134	\$1,384,434	\$6,227,453	\$9,103,275
Irrigation, Dams, and Other Water Structures	1,328,827	2,027,160	728,302	1,074,727	\$2,057,129	\$3,101,887
Buildings (e.g Administration, Education, Housing, Historic Buildings)	1,805,087	2,629,893	936,167	1,376,715	\$2,741,254	\$4,006,608
Other Structures (eg Recreation sites, Hatcheries, etc.)	1,758,696	2,554,798	431,691	634,838	\$2,190,387	\$3,189,636
<b>Total</b>	<b>\$10,140,929</b>	<b>\$14,930,692</b>	<b>\$3,075,294</b>	<b>\$4,470,714</b>	<b>\$13,216,223</b>	<b>\$19,401,406</b>

## MMS/MRM Compliance Assessments and Pre-assessment Work in Process

Management's best estimate of additional revenues that may potentially be collected from compliance assessments and pre-assessment work in process as of September 30, 2009, is \$45.3 million. This estimate is comprised of approximately \$10.8 million in Royalty in Kind (RIK) imbalance pre-assessment work in process, and approximately \$34.5 million in compliance asset management (CAM) compliance assessments and pre-assessment work in process.

The amounts disclosed are subject to significant variability upon final resolution of the compliance work, due to numerous factors such as the receipt of additional third party documentation including volume revisions from pipeline or gas plant statements, pricing changes from purchaser statements, revised transportation invoices, interim imbalance statements with retroactive adjustments, ongoing reconciliations, and other information subsequently received.

## Condition of Stewardship Lands and Heritage Assets

### Condition of Stewardship Lands

Land is defined as the solid part of the surface of the earth and excludes natural resources (that is, depletable resources and renewable resources) related to the land. Based on this definition, stewardship land is considered to be in acceptable condition unless an environmental contamination

or liability is identified and the land cannot be used for its intended purpose(s). Information regarding the financial liabilities identified as probable or reasonably possible and that potentially affect the condition of Stewardship Land are located in Note 13, *Contingent Liabilities and Environmental and Disposal Liabilities*.

Primary Land Management Categories	As of 09/30/2009	Condition	
		Acceptable	Needs Intervention
<b>IA</b> Regional Offices	12	100%	
<b>BLM</b> Geographic Management Areas	134	100%	
<b>BOR</b> Federal Water and Related Projects	141	98%	2%
<b>FWS</b> National Wildlife Refuges	550	99%	1%
<b>FWS</b> Coordination Areas	49	100%	
<b>FWS</b> Wetland Management Districts	37	100%	
<b>FWS</b> National Fish Hatcheries	66	100%	
<b>FWS</b> Fish Technology Centers	6	100%	
<b>FWS</b> Associated Fish Facilities	19	100%	
<b>NPS</b> Park Units	378	100%	
<b>OS</b> Commision Land	1	100%	
<b>Total Number of Units</b>	1,393	100%	0%

# Condition of Heritage Assets

## Noncollectible Heritage Assets

The condition of land based noncollectible heritage assets is based on the condition of the land, as described above. The condition of structure based noncollectible heritage assets is based

on the requirements described in the deferred maintenance section. The condition of Interior's noncollectible heritage assets are shown in the following table.

Primary Non-Collectible Heritage Asset Categories	As of 09/30/2009	Condition Expressed as a Percentage				
		Land Based		Structurally Based		
		Acceptable	Needs Intervention	Acceptable	Unacceptable	Unknown
Cooperative Management and Protection Areas	1	100%				
Headwaters Forest Reserve	1	100%				
Lake Todatonten Special Management Area	1	100%				
National Battlefield Parks	3			100%		
National Battlefield Sites	1	100%				
National Battlefields	11	100%		100%		
National Conservation/Conservation Areas	17	100%				
National Historic Landmarks (NHL)	204	100%		86%	9%	5%
National Historic Sites	77	100%		98%	2%	
National Historic Trails	10	100%				
National Historical Parks	45	100%		100%		
National Lakeshores	4			100%		
National Memorials	27	100%		100%		
National Military Parks	9	100%		100%		
National Monuments	96	100%		94%	6%	
National Natural Landmarks (NNL)	107	100%				
National Parks	58	100%		98%	2%	
National Parkways	4	100%		100%		
National Preserves	18	100%		94%	6%	
National Recreation Areas	19	100%		100%		
National Recreation Trails	97	100%		100%		
National Reserves	2	100%		100%		
National Rivers	5	100%		100%		
National Scenic Trails	8	100%				
National Seashores	10			100%		
National Wild and Scenic Rivers	92	100%		100%		
National Wildlife Refuges	550	100%				
Outstanding Natural Area	3	100%				
International Historic Sites	1			100%		
Wilderness Areas	356	100%				
Other	11	100%		100%		
<b>Total</b>	<b>1,848</b>	<b>100%</b>	<b>0%</b>	<b>94%</b>	<b>4%</b>	<b>2%</b>

## Collectible Heritage Assets

Interior Library Collections	As of 09/30/2009	Condition of Library Collections		
		Good	Fair	Poor
Library Collections	7	14%	86%	

### Library Collections

Condition assessment standards are in agreement with national standards (The National Information Standards Organization publication on the Environmental Guidelines for the Storage of Paper Records) and are based on temperature and humidity, exposure to light, gaseous contaminants, and particulates. Library collection ratings of Good, Fair, Poor, and/or Unknown are based on the following:

**Good** – Achieves a good or fair rating for all four criteria.

**Fair** – Achieves a good or fair rating for at least two criteria.

**Poor** – Achieves a good or fair rating for less than two criteria.

**Unknown** – Assessment not conducted.

As with the museum collections, the goal of safeguarding is to preserve the items in library collections for as long as possible and to manage their condition in accordance with the intended use and to not unduly hasten their deterioration.

### Museum Collections

Facilities housing Department museum collections must meet specific environmental, security, fire protection, housekeeping, physical examination, and conservation treatment, storage, and exhibit space standards, as described in Chapter 3 of Departmental Manual Section 411. These standards require facilities that house collections to maintain their stewardship responsibilities by adhering to best practices as defined by industry standards. Facilities that meet at least 70 percent of the Department's standards for managing museum collections are judged to be in "good" condition, those that meet between 50 percent and 70 percent of the standards are in "fair condition" and those that meet less than 50 percent of applicable standards are in "poor" condition.

The primary focus within museum collections is preservation. Great attention is given to stabilizing objects in the condition in which they were received and preventing further deterioration. Museum objects are generally expected to be preserved indefinitely. The goal of safeguarding is to preserve the heritage asset for as long as possible and to manage the condition in accordance with the intended use and not to unduly hasten their deterioration.

Interior Museum Collections	As of 09/30/2009	Condition of Museum Collections			
		Good	Fair	Poor	Unknown
Held at Interior Bureau Facilities	589	47%	31%	21%	1%
Held at Non-Interior Bureau Facilities	484	51%	27%	16%	6%
Total	1,073	49%	29%	18%	4%

## REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

*Unaudited, see accompanying Auditors' Report*

### Investment in Research and Development

Investment in Research and Development provides reliable, credible, objective, and unbiased scientific results to improve the basic understanding of natural resources and to inform land and resource management decisions across the Nation. These research and development activities encompass examinations of geological structures, mineral resources, and products within and outside the national domain. Earth science research and information are used to save lives and property, safeguard human health, enhance the economic vitality of the Nation and its people, assess resources, characterize environments, and predict the impact of contamination. This information aids in solving critical societal problems through research, investigation, and the application of state-of-the-art geographic and cartographic methods.

Interior's research and development activities are presented in the following three major categories.

**Basic research.** A study to gain knowledge or understanding of the fundamental aspects of specific phenomena or observable facts without specific applications and products in mind.

**Applied research.** A systemic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met.

**Developmental Research.** The systematic use of knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

Bureaus reporting Investment in Research and Development are: BLM, BOR, DO, MMS, NPS, and USGS.

Interior's research and development programs provide the science needed for Federal, state, tribal, and local government agencies to guide planning, management, and regulatory activity. A National Water Quality Assessment program report showing high levels of toxic polycyclic aromatic hydrocarbons in coal-tar-based pavement sealcoat, which resulted in several cities banning the use of this product.

The Cultural Resources Applied Research Program addresses specific issues for which insufficient information is available to make informed management decisions concerning the preservation of cultural resources. A Historic Structure Report Amendment (HSR-A) is being prepared for all 32 buildings and several landscape features within Bandelier National Monument, New Mexico. The Amendment will include a current condition description for each building and feature, treatment history from the date of the original HSR to the present, and specific detailed treatment plans for each building and structure.

The Gunnison Sage Grouse Tracking Pilot Study provides critical data on location and use of lek, nesting, and other habitat sites; grouse movement within the Gunnison Basin area; and information on how big game use, BLM's travel management decisions, off-highway vehicle use, antler shed hunting, and other human uses affect grouse movements and habitat.

The Deep Gulf of Mexico Benthos (DGoMB) project investigated the structure and function of the biota associated with the seafloor in the deep water of the northern Gulf of Mexico to determine how living resources inhabiting deepwater habitats might be impacted by oil and gas exploration. Eight hypotheses related to environmental variables were tested. The research concluded that interactions between the biotic communities and

**Investment in Research and Development**  
(dollars in millions)

Category	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	TOTAL
Basic Research	\$ 79	\$ 72	\$ 63	\$ 65	\$ 69	\$ 348
Applied Research	756	699	728	746	755	3,684
Developmental	80	82	76	74	77	389
<b>TOTAL</b>	<b>\$ 915</b>	<b>\$ 853</b>	<b>\$ 867</b>	<b>\$ 885</b>	<b>\$ 901</b>	<b>\$ 4,421</b>

oil and gas exploration activities are expected to be substantially greater on the upper continental slope (down to 2,000 m depth) relative to the lower slope simply because the standing stocks are so much higher on the upper slope than on the lower slope and abyssal plain. Because of the greater natural environmental variability on the upper slope, upper slope biota may be better adapted to alterations in substrate and organic loading that might result from oil and gas activities. The completion of DGoMB was accomplished through cooperation of ten different institutions in three countries. Importantly, these research efforts provide the basis for regulations to protect the marine environment.

Investments in applied research programs to aid in the water and energy management challenges facing the arid West focus on the improvement of

water management, solutions pertaining to flood hydrology, water quality, irrigation return flows, and the delivery of hydropower to the West. The information obtained through these programs provides water management solutions and techniques that yield future benefits to the Nation. This supports the end outcome goal to deliver water consistent with applicable state and federal law, in an environmentally responsible and cost-efficient manner.

The Central Utah Water Conservancy District conducted a hydrologic study of the Provo River Basin and a feasibility study of direct delivery of Colorado River Basin water from the Strawberry Reservoir or elsewhere in the Strawberry Collection System to the Provo River Basin.

## Investment in Human Capital

Investment in human capital refers to education and training programs financed by the Federal government for the benefit of the public; investment in human capital does not include education and training expenses for Federal employees. The Department plays a vital role in providing quality educational opportunities from early childhood throughout life, with consideration given to the mental, physical, emotional, spiritual and cultural aspects of the people served.

Due to the changes parent/child reporting requirements in OMB Circular A-136, *Financial Reporting Requirements*, as revised, Interior no longer reports on the Job Corps programs and "Other" programs.

## Education Programs

The School Operations Program provides basic education for Indian children in grades K through 12 including funding for school staff, textbooks and general supplies at IA schools. The Adult Education Program provides opportunities for adult Indians and Alaska Natives to obtain the General Equivalency Diploma or improve their employment skills and abilities. The Post-Secondary Education Programs support grants and supplemental funds for Tribal Colleges and Universities.

The vision and long-range goal is to unite and promote healthy Indian communities through lifelong learning. This goal is implemented through the commitment to provide quality educational opportunities throughout life.

**Investment in Human Capital**  
(dollars in millions)

Category	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	TOTAL
Education Programs	\$ 549	\$ 542	\$ 565	\$ 589	\$ 615	\$ 2,860
Job Corps Program	53	52	-	-	-	\$ 105
Other	12	11	-	-	-	\$ 23
<b>TOTAL</b>	<b>\$ 614</b>	<b>\$ 605</b>	<b>\$ 565</b>	<b>\$ 589</b>	<b>\$ 615</b>	<b>\$ 2,988</b>

## Investment in Non-Federal Physical Property

The Department of the Interior provides a long term benefit to the public by maintaining its commitment to investing in non-Federal physical property. Non-Federal physical property refers to expenses incurred by the Federal government for the purchase, construction, or major renovation of physical property owned by state and local governments and Insular Areas, including major additions, alterations, and replacements; the purchase of major equipment; and the purchase or improvement of other physical assets.

Interior's investment in non-Federal physical property is multifaceted and includes a varied assortment of structures, facilities, and, equipment.

Investment in these assets results in improved tribal roads and educational facilities; irrigation infrastructure and water quality improvement projects; species protection and habitat loss prevention programs; recreational activities; and, wildlife management.

The Office of Facility Management and Construction provides funds for buildings with historic and architectural significance. The Utah Reclamation Mitigation & Conservation Commission invests in habitat improvements for fish and wildlife on non-Federal properties to mitigate the impact of reclamation projects in Utah on wildlife resources beyond the boundaries of those projects.

**Investment in Non-Federal Physical Property**  
(dollars in millions)

Category	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	TOTAL
Dams & Other Water Structures	\$ 278	\$ 342	\$ 281	\$ 446	\$ 329	\$ 1,676
Land	97	115	165	128	170	675
Roads and Bridges	99	111	4	2	2	218
Schools and Public Buildings	89	94	114	66	106	469
Ranges	1	1	2	2	2	8
Not Classified	15	19	10	23	14	81
<b>TOTAL</b>	<b>\$ 579</b>	<b>\$ 682</b>	<b>\$ 576</b>	<b>\$ 667</b>	<b>\$ 623</b>	<b>\$ 3,127</b>




## United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, DC 20240

NOV 16 2009

## Memorandum

To: Secretary

From: Mary L. Kendall   
Acting Inspector General

Subject: Independent Auditors' Report on the Department of the Interior Financial Statements for Fiscal Years 2009 and 2008 (Report No. X-IN-MOA-0018-2009)

***INTRODUCTION***

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This memorandum transmits the KPMG LLP (KPMG) auditors' report of the Department of the Interior (DOI) financial statements for fiscal years (FYs) 2009 and 2008. The Chief Financial Officers Act of 1990 (Public Law 101-576), as amended, requires the DOI Inspector General or an independent auditor, as determined by the Inspector General, to audit the DOI financial statements.

Under a contract issued by DOI and monitored by the Office of Inspector General (OIG), KPMG, an independent public accounting firm, performed an audit of the DOI FY2009 and FY2008 financial statements. The contract required that the audit be performed in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States and Office of Management and Budget Bulletin No. 07-04, "Audit Requirements for Federal Financial Statements."

***RESULTS OF INDEPENDENT AUDIT***

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In its audit report, KPMG issued an unqualified opinion on the DOI financial statements. However, KPMG identified six significant deficiencies in internal controls over financial reporting, of which none was considered a material weakness. In addition, KPMG identified two instances where DOI did not comply with laws and regulations, specifically, the Single Audit Act Amendments of 1996 and the Prompt Payment Act.

KPMG has also audited the financial statements for Departmental Offices. In addition, KPMG performed certain auditing procedures at Indian Affairs, Bureau of Reclamation, National Park Service, U.S. Geological Survey, Bureau of Land Management, U.S. Fish and



Wildlife Service, Minerals Management Service and Office of Surface Mining, Reclamation and Enforcement to support the DOI consolidated financial statement audit.

## ***EVALUATION OF KPMG AUDIT PERFORMANCE***

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To ensure the quality of the audit work performed, the OIG:

- reviewed KPMG's approach and planning of the audit;
- evaluated the qualifications and independence of the auditors;
- monitored the progress of the audit at key points;
- coordinated periodic meetings with DOI management to discuss audit progress, findings, and recommendations;
- reviewed KPMG's audit report; and
- performed other procedures we deemed necessary.

KPMG is responsible for the attached auditors' report, and the conclusions expressed therein. We do not express an opinion on DOI financial statements nor on KPMG's conclusions regarding the effectiveness of internal controls or compliance with laws and regulations.

## ***REPORT DISTRIBUTION***

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The legislation, as amended, creating the OIG requires semiannual reporting to the Congress on all audit reports issued, actions taken to implement audit recommendations, and unimplemented recommendations. Therefore, we will include the information in the attachment in our next semiannual report. The distribution of the report is not restricted, and copies are available for public inspection.

We appreciate the cooperation and assistance of DOI personnel during the audit. If you have any questions regarding the report, please contact me at 202-208-5745.

### **Attachments**

cc: Deputy Secretary  
 Chief Financial Officer  
 Chief Information Officer  
 Director, Office of Financial Management  
 Associate Director, Office of Financial Management  
 Focus Group Leader, Internal Control and Audit Follow-up, Office of Financial Management  
 Audit Liaison Officer, Office of Financial Management



## Attachment 1

KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

## Independent Auditors' Report

Secretary and Acting Inspector General,  
U.S. Department of the Interior:

We have audited the accompanying balance sheets of the U.S. Department of the Interior (Interior) as of September 30, 2009 and 2008, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the years then ended (hereinafter referred to as financial statements). The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our fiscal year 2009 audit, we also considered Interior's internal control over financial reporting and tested Interior's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on these financial statements.

## Summary

As stated in our opinion on the financial statements, we concluded that Interior's financial statements as of and for the years ended September 30, 2009 and 2008, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. As discussed in our opinion, Interior adopted Statement of Federal Financial Accounting Standard No. 31 *Accounting for Fiduciary Activities* as of October 1, 2008.

Our consideration of internal control over financial reporting resulted in identifying certain deficiencies that we consider to be significant deficiencies, as follows:

- A. Information Technology Controls over Financial Management Systems
- B. Controls over Property
- C. Controls over Undelivered Orders
- D. Controls over Estimated Liabilities
- E. Grant Monitoring Controls
- F. Controls over Fiduciary Activity

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined in the Internal Control Over Financial Reporting section of this report.

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

- G. *Single Audit Act Amendments of 1996*
- H. *Prompt Payment Act*



The following sections discuss our opinion on Interior's financial statements; our consideration of Interior's internal control over financial reporting; our tests of Interior's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements; and management's and our responsibilities.

### **Opinion on the Financial Statements**

We have audited the accompanying balance sheets of U.S. Department of the Interior as of September 30, 2009 and 2008, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of the Interior as of September 30, 2009 and 2008, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in note 22 to the financial statements, Interior adopted Statement of Federal Financial Accounting Standard No. 31 *Accounting for Fiduciary Activities* as of October 1, 2008.

The information in the Management's Discussion and Analysis, Required Supplementary Information, and Required Supplementary Stewardship Information sections is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information in the Introduction and Other Accompanying Information sections is presented for purposes of additional analysis and is not required as part of the financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

### **Internal Control Over Financial Reporting**

Our consideration of the internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

In our fiscal year 2009 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and that are described below as A through F. Exhibit I presents the status of the prior year material weakness and significant deficiencies.





## A. Information Technology Controls over Financial Management Systems

Interior did not have adequate information technology controls to protect its financial information systems as required by OMB Circular No. A-130, *Management of Federal Information Resources*. These conditions could affect Interior's ability to prevent and detect unauthorized changes to financial information, control electronic access to sensitive information, and protect its information resources. Although Interior has improved its application and general controls, Interior should continue improving the security and general controls over its financial information systems, as discussed below.

### 1. *Entity-wide Security Program and Planning*

An entity-wide security program, including security policies and a related implementation plan, is the foundation of an entity's security control structure. Interior did not include and consider all findings and recommendations in certain corrective action plans that are part of Interior's security program. Interior also did not prepare a complete systems inventory at one component. Furthermore, Interior did not fully document or perform certain procedures to support one of its certification and accreditation reports.

### 2. *Access Controls*

Access controls protect computer resources from unauthorized modification, disclosure, and loss; however, Interior did not fully establish controls to prevent and detect unauthorized access. Interior did not consistently document and approve policies and procedures regarding access controls, logging and monitoring changes to profiles, and segregation of responsibilities. Interior also did not consistently obtain approval before granting access, recertify user access, document review and approval of user access, maintain user access documentation, obtain rules of behavior forms, and remove access for terminated and inactive users. In addition, Interior did not establish controls over contractor access to applications. Furthermore, Interior did not protect certain temporary passwords, appropriately configure password settings for five applications, configure three applications to provide the required warning banner, configure one application to lock out inactive users, and configure one application to lock out administrators after failed login attempts.

Interior assigned excessive permissions for one application, had default administrator, user, or network settings for several applications, and did not apply the latest security updates for several applications. Interior also did not configure several applications to capture changes to the application, user accounts, security profiles, or transactions. In addition, Interior did not consistently maintain audit logs, review audit logs, or document that audit log reviews were completed for several applications. Finally, Interior did not consistently review and approve segregation of responsibilities and did not properly segregate user, audit log review, or access profile change responsibilities for certain applications.

### 3. *Configuration Management*

Configuration management controls ensure that only authorized programs and modifications are implemented. Interior did not have formal system development and change management procedures for one application and did not maintain a formally documented business impact analysis for another application. In addition, Interior did not consistently document, test, and approve all application changes. Interior also did not use library management software to control changes for two applications. Furthermore, Interior did not consistently install the latest system/software updates for certain applications and support systems. Finally, Interior did not fully segregate software development and change responsibilities for four applications.



#### 4. *Service Continuity*

Service continuity plans protect information resources, minimize the risk of unplanned interruptions, and recover critical operations should interruptions occur. Interior did not fully document one contingency plan and did not update two contingency plans. In addition, Interior did not establish a disaster recovery plan for one data center, did not test environmental controls at one data center, and did not develop backup and off-site storage procedures for one data center. Furthermore, Interior did not have a support agreement for one application. Finally, Interior did not maintain an alternative storage site that was geographically separate from the primary site for certain financial information.

#### **Recommendations**

We recommend that Interior continue to improve the security and general controls over its financial information systems to ensure adequate security and protection of the information systems as follows:

1. Consider all findings and recommendations in its security program, prepare a complete systems inventory, fully document certification and accreditation reports, and perform procedures to support its certification and accreditation reports.
2. Develop and finalize access control policies, review and approve user access, recertify user access, document and maintain access approvals, complete rules of behavior forms, remove access for terminated or inactive users, control contractor access to applications, protect passwords, configure application access settings properly, apply the latest security updates, configure applications to capture changes and activity, maintain and review audit logs, document audit log reviews completed, review and approve segregation of responsibilities, and fully segregate access control responsibilities.
3. Finalize system development and change management procedures, document business impact analysis, document application changes, test and approve application changes, use library management software to control application changes, install the latest system/software updates, and fully segregate software development and change responsibilities.
4. Fully document and update contingency plans, establish disaster recovery plans for data centers, periodically test environmental controls, develop backup and off-site storage procedures for all data centers, establish support agreements, and maintain geographically separate alternate storage locations.

#### **Management Response**

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations. We did not audit Interior's response and, accordingly, we express no opinion on it.

#### **B. Controls over Property**

Interior should improve controls over accounting for property, plant, and equipment, to ensure that transactions are promptly and accurately recorded and properly classified. Interior capitalized \$179 million as internal use software in development instead of recognizing these amounts as costs. Interior also did not transfer \$13 million from the internal use software in development account to the internal use software in use account for software placed in service. Interior also recorded \$11 million of costs that should have been capitalized property at one component, capitalized costs of \$11 million at one component, and established a capital project with total budgeted costs of \$25 million that should not be capitalized at another component. Furthermore, Interior did not consistently record property additions and disposals accurately or when they occurred for 54 of 294 transactions tested at four components. Finally, Interior did not properly calculate and record depreciation expense for 43 of the 60 assets tested at one component because Interior did not properly configure its accounting system to calculate depreciation expense. As a result of our observations, Interior analyzed and adjusted its property balances.



### Recommendations

We recommend that Interior implement the following recommendations to improve controls over property:

1. Enhance its policies and procedures for recording internal use software.
2. Review costs capitalized on larger internal use software projects to ensure that they are appropriate on a quarterly basis.
3. Continue to train personnel on recording property transactions, including costs that should be capitalized and costs that should not be capitalized.
4. Establish controls to ensure that Interior records property additions, disposals, and transfers accurately and when the transaction occurs.
5. Configure its accounting system to properly calculate depreciation expense.

### Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations. We did not audit Interior's response and, accordingly, we express no opinion on it.

## C. Controls over Undelivered Orders

Interior obligates its budgetary resources when placing orders with other federal entities and public organizations and reduces the order balances as goods and services are received. Interior policies require components to review and certify undelivered orders quarterly and to de-obligate invalid obligations. Although Interior has improved compliance with its policies, Interior should continue improving the effectiveness of the review and certification procedures because four Interior components incorrectly certified undelivered orders overstating undelivered orders by approximately \$131 million. In addition, Interior recorded invalid recoveries or did not record recoveries of undelivered orders timely for approximately \$45 million at two components. Interior also did not consistently maintain documentation or modify the period of performance for expired orders in a timely manner. As a result of our observations, Interior analyzed and adjusted its undelivered orders.

### Recommendations

We recommend that Interior implement the following recommendations to improve controls over its undelivered orders:

1. Provide training to program and finance personnel on certifying and closing out undelivered orders.
2. Improve the effectiveness of the review and certifications of undelivered orders.
3. Monitor and close out as appropriate undelivered orders with minimal to no activity during the past three months, on at least a quarterly basis.
4. Establish procedures and accounting system edit controls to record period of performance information accurately.
5. Modify expired orders either before the order expires or within 30 days of expiring.
6. Improve and maintain documentation to support its undelivered orders.

### Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations. We did not audit Interior's response and, accordingly, we express no opinion on it.





#### D. Controls over Estimated Liabilities

Interior should improve controls to ensure estimated liabilities and related expenses are promptly and accurately recorded and properly classified. Interior did not properly configure its accounting system and processes to provide the information needed to estimate accounts payable for three of its components. In addition, Interior did not establish policies and procedures to estimate certain accounts payable balances, test all the assumptions used in the estimates, and test the accuracy of certain estimates at one component. Interior also incorrectly estimated the accounts payable accrual at two components and incorrectly recorded the accounts payable accrual at another component. Furthermore, Interior did not consistently review the estimated contingent liabilities because Interior did not include all cases in its estimated contingent liabilities. Finally, Interior did not consistently update or support its environmental liability estimates for 19 of 36 sites tested at one component. As a result of our observations, Interior analyzed and adjusted its estimated liabilities and related expenses.

#### Recommendations

We recommend that Interior implement the following recommendations to improve controls over estimated liabilities and related expenses:

1. Configure its accounting system and processes to provide information needed to estimate accounts payable.
2. Enhance policies and procedures to estimate all accounts payable estimates.
3. Establish a standard subsequent activity report to be used by components for accounts payable estimates.
4. Continue to train individuals on preparing and updating estimated liabilities.
5. Test the assumptions used in estimation methodologies and assess the accuracy of the estimated liabilities to ensure that the estimation methodologies are appropriate.
6. Require supervisors to review the estimated liability methodologies, compare the estimated liabilities to the supporting documentation, ensure that the amounts are properly recorded in the general ledger, and document approval evidencing completion of the review and comparison.

#### Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations. We did not audit Interior's response and, accordingly, we express no opinion on it.

#### E. Grant Monitoring Controls

Interior should improve controls over grant monitoring as Interior is required to monitor its grantees in accordance with the *Single Audit Act Amendments of 1996*, the related OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (OMB Circular No. A-133), and other laws. Interior did not have a complete listing of grant awards or grantees to ensure that it monitored grantees, obtained single audit reports, and issued management decisions on audit findings for two Interior components. Interior also did not review and approve funding requests timely or maintain proposal documentation for 26 of the 45 grants and related contracts tested at one component. In addition, Interior did not obtain or follow up on past due financial status or performance reports for 27 of the 134 grantees tested at three components. Furthermore, Interior did not obtain single audit reports within nine months of the grantee's fiscal year-end for 19 of 59 grantees tested at one component. Finally, Interior did not issue management decisions on audit findings within six months after receipt of single audit reports or ensure that the grantees completed appropriate and timely corrective action on such findings for 10 of the 66 grantees tested at two components.





### Recommendations

We recommend that Interior perform the following to improve its grant monitoring process:

1. Maintain a complete and accurate listing of grantees to enable monitoring of grantees, receipt of single audit reports, and issuance of management decisions on findings.
2. Review and approve funding requests in accordance with the required timelines and maintain proposal documentation.
3. Follow up on financial status, performance, and single audit reports not received and consider the need to limit future grant awards until these reports are received.
4. Issue management decisions on audit findings within six months after receipt of single audit reports and verify that grantees take appropriate and timely corrective action.

### Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations. We did not audit Interior's response and, accordingly, we express no opinion on it.

### F. Controls over Fiduciary Activity

Interior discloses in the notes to the financial statements, fiduciary activity in which American Indian Tribes, individual Indians, and others have an ownership interest that Interior must uphold. In the prior year, we reported a significant deficiency related to this fiduciary activity, which was entitled "Controls over Indian Trust Funds." Interior has improved controls over fiduciary activity; however, we noted that Interior should continue its efforts to resolve historical differences and to improve procedures and controls for entering and maintaining fiduciary activity, including:

#### 1. *Net Asset Balances*

The financial information systems and internal control procedures used in the processing of fiduciary transactions have suffered historically from a variety of system and procedural internal control weaknesses. In addition, Interior is burdened with the ongoing impact of decades of accumulated discrepancies in the accounting records. Furthermore, certain beneficiaries do not agree with the net asset balances and/or have requested an accounting of the fiduciary activity. Although Interior has invested a significant amount of resources identifying historical records, isolating and working to resolve historical differences, and preparing an accounting of the fiduciary activity, Interior should continue with this historical accounting effort.

#### 2. *Special Deposit Accounts*

In accordance with Title 25 of the Code of Federal Regulations, Interior recorded receipts into special deposit accounts within the subsidiary ledger when the recipient trust fund account is unknown at the time of receipt. When Interior identifies the trust fund account(s), Interior transfers the amount from the special deposit account(s) to the designated trust fund account(s). As of September 30, 2009 and 2008, there were approximately 10,600 and 11,000 special deposit accounts, respectively, reflected in the subsidiary ledger with balances totaling approximately \$29 million and \$31 million, respectively. The special deposit accounts continue to require resolution.

#### 3. *Undistributed Interest and Unusual Balances*

Interior has not been able to determine the proper recipients of undistributed interest related to individual Indian accounts of approximately \$4.1 million and \$3.9 million as of September 30, 2009 and 2008, respectively. Furthermore, there were Tribal accounts with negative cash balances totaling approximately \$382,000 and \$721,000 as of September 30, 2009 and September 30, 2008, which continue to require resolution.



4. *Accounts Receivable*

Interior did not fully establish an accounts receivable accrual methodology and did not record an accounts receivable accrual for fiduciary activity originating from surface leases. Additionally, Interior had not fully analyzed the surface lease accounts receivable reports totaling over \$16 million to verify that the amounts are valid and collectible.

5. *Distribution of Funds to Fiduciary Accounts*

Interior did not consistently transfer funds to the fiduciary accounts timely for 2 of the 124 receipts tested. In addition, Interior did not use the fastest means possible in forwarding these items to the lockbox in accordance with its policies for 4 of 173 disbursements tested.

6. *Supervised Fiduciary Accounts*

Although Interior is in the process of implementing new procedures to ensure supervised fiduciary accounts are reviewed annually, Interior's current procedures do not ensure that the reviews are completed within one year resulting in the potential for some active accounts to not be tested within one year of becoming active. In addition, Interior's reports of active fiduciary accounts do not identify individuals with active fiduciary accounts who no longer physically reside in their "home agency," resulting in the potential for some active fiduciary accounts to not be reviewed on an annual basis.

**Recommendation**

We recommend that Interior develop and implement procedures and internal controls to complete the accounting of the net asset balances, resolve historical differences, resolve special deposit accounts, record and collect accounts receivable for surface leases, distribute funds to fiduciary accounts in accordance with Interior policies, review supervised accounts, and address other deficiencies in controls related to fiduciary activity.

**Management Response**

Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with the findings because management believes that its efforts to address internal control deficiencies in the fiduciary activity are substantially complete and that the auditors' report did not contain findings suggesting current operational control deficiencies. We did not audit Interior's response and, accordingly, we express no opinion on it.

**Auditors' Response to Management's Response**

As summarized above, we identified control deficiencies in the current year that adversely affect Interior's ability to initiate, authorize, record, process, and report fiduciary activity reliably. Therefore, we continue to believe that the control deficiencies identified constitute a significant deficiency.

We noted certain additional matters that we have reported to management of Interior in a separate letter.

**Compliance and Other Matters**

The results of certain of our tests of compliance as described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed two instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, and are described below.



### ***G. Single Audit Act Amendments of 1996***

As discussed in the Internal Control over Financial Reporting section of this report, Interior did not perform adequate monitoring of grantees in accordance with the *Single Audit Act Amendments of 1996* and the related OMB Circular No. A-133. Interior should ensure that it obtains financial status, performance, and single audit reports, and issues management decisions on audit findings in a timely manner.

#### **Recommendation**

We recommend that in fiscal year 2010, Interior obtain financial status and single audit reports, and issue management decisions on audit findings in accordance with the requirements of the *Single Audit Act Amendments of 1996* and the related OMB Circular No. A-133.

#### **Management Response**

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendation. We did not audit Interior's response and, accordingly, we express no opinion on it.

### ***H. Prompt Payment Act***

In accordance with the *Prompt Payment Act*, Interior is required to pay interest penalties when payments are late. Interior's accounting system is not properly configured to calculate prompt payment interest for three of its components and one component did not consistently determine the proper amount of prompt payment interest on manually calculated prompt payment interest. As a result, Interior paid the incorrect amount of prompt payment interest on 9 of the 81 disbursements tested.

#### **Recommendations**

We recommend that in fiscal year 2010, Interior perform the following to ensure compliance with the *Prompt Payment Act*:

1. Modify the accounting system to properly calculate prompt payment interest.
2. Require a second person to review prompt payment interest that is manually calculated and document such review.

#### **Management Response**

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations. We did not audit Interior's response and, accordingly, we express no opinion on it.

The results of our other tests of compliance as described in the Responsibilities section of this report, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

The results of our tests of FFMIA disclosed no instances in which Interior's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

We noted certain additional matters that we have reported to management of Interior in a separate letter.

\* \* \* \* \*





## Responsibilities

**Management's Responsibilities.** Management is responsible for the financial statements; establishing and maintaining effective internal control; and complying with laws, regulations, contracts, and grant agreements applicable to Interior.

**Auditors' Responsibilities.** Our responsibility is to express an opinion on the fiscal year 2009 and 2008 financial statements of Interior based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Interior's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2009 audit, we considered Interior's internal control over financial reporting by obtaining an understanding of Interior's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. We did not test all controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to express an opinion on the effectiveness of Interior's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Interior's internal control over financial reporting.

As part of obtaining reasonable assurance about whether Interior's fiscal year 2009 financial statements are free of material misstatement, we performed tests of Interior's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including the provisions referred to in Section 803(a) of FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to Interior. However, providing an opinion on compliance with laws, regulations, contracts, and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion.



This report is intended solely for the information and use of Interior's management, Interior's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

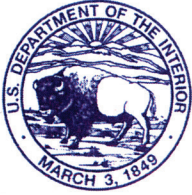
November 16, 2009

## U.S DEPARTMENT OF THE INTERIOR

Status of Prior Year Findings

September 30, 2009

<b>FY2008 Ref</b>	<b>Fiscal Year 2008 Condition</b>	<b>Status of Fiscal Year 2008 Findings</b>
<b>A</b>	Controls over Unfilled Customer Orders	This condition has been corrected.
<b>B</b>	General and Application Controls over Financial Management Systems	This condition has not been corrected and is repeated in fiscal year 2009. See finding A.
<b>C</b>	Controls over Property	This condition has not been corrected and is repeated in fiscal year 2009. See finding B.
<b>D</b>	Controls over Undelivered Orders	This condition has not been corrected and is repeated in fiscal year 2009. See finding C.
<b>E</b>	Grant Monitoring Controls	This condition has not been corrected and is repeated in fiscal year 2009. See finding E.
<b>F</b>	Controls over Indian Trust Funds	This condition has not been corrected and is repeated in fiscal year 2009. See finding F.
<b>G</b>	<i>Single Audit Act Amendments of 1996</i>	This condition has not been corrected and is repeated in fiscal year 2009. See finding G.
<b>H</b>	<i>Federal Financial Management Improvement Act of 1996</i>	This condition has been corrected.



United States Department of the Interior

OFFICE OF THE SECRETARY  
Washington, DC 20240

NOV 16 2009

Memorandum

To: Mary L. Kendall  
Acting Inspector General

Jeff Norris  
KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

From: Rhea Suh   
Assistant Secretary – Policy, Management and Budget  
and Chief Financial Officer

Subject: Management's Response to Draft Independent Auditors' Report on the  
Department of the Interior Financial Statements for Fiscal Years 2009 and 2008  
(Assignment No. X-IN-MOA-0018-2009)

The Department of the Interior has reviewed the draft report prepared by KPMG LLP and provides its response to the findings and recommendations. We are pleased that the result of the audit is an unqualified opinion on the Department Consolidated Financial Statements. We appreciate the value of the audit process and look forward to working with you to continue our marked improvement of financial management in Interior.

There were no findings in FY 2009 that were identified as Material Weaknesses. The FY 2008 Material Weakness on Controls over Unfilled Customer Orders was resolved.

The following significant deficiencies were identified:

**A. Information Technology Controls over Financial Management Systems**

**Management concurs.** During FY 2009, Interior continued to improve its information technology controls including policies and guidance and will continue to enhance application and general controls over financial management systems during FY 2010. A specific focus on the areas of the entity-wide security program, access controls, configuration management, and service continuity will occur in FY 2010. We are constantly striving to implement improvements and strengthen the related programmatic aspects of the IT security program (including awareness training) and will continue to review all aspects of the IT program for refinement, as appropriate.



**B. Controls over Property**

**Management concurs.** Interior's management recognizes the need to continuously evaluate and improve the methodology utilized for all facets of project and property recognition, especially with internal use software. Interior will review and enhance the policy and procedures for recording internal use software. A quarterly system of review will be implemented on larger software projects. We will conduct a review of the training material on capitalization decisions, recording property additions, disposals, and transfers. The core financial systems calculation of depreciation will be evaluated. These improvements will include the controls over individual projects, communication with internal and external stakeholders, consistent cost structures, as well as the periodic inventory and certification control procedures.

**C. Controls over Undelivered Orders**

**Management concurs.** Interior agrees that continuing improvement of the quarterly review and certification of the undelivered orders (UDO) balances must be sustained. Both Interior and the components will work to improve the effectiveness of the review and certification process. The UDO certification will be included in the quarterly operational assessment process. The four components identified in the audit will prepare corrective action plans to ensure proper certification of undelivered orders. Interior will revise guidance to address the problems with "recoveries" and will evaluate alternatives to more accurately capture period of performance data in the core financial systems. Management is committed to bringing each component together to address these concerns in an integrated and consistent manner.

**D. Controls over Estimated Liabilities**

**Management concurs.** Interior will continue to enhance the core financial systems to improve component procedures to estimate and verify accruals, including a review of Department and component policies and procedures on the process. Management will work to establish a standardized subsequent activity report to verify accruals. A review of training and methodologies will be conducted. A supervisory review will be added to the component quarterly financial reporting assessment.

**E. Grant Monitoring Controls**

**Management concurs.** Interior will continue to work with the components to ensure that all necessary reports are obtained and that management decisions on audit findings are issued in a timely and compliant manner. Management will continue to improve procedures to determine if any modifications would yield a more timely and effective treatment. Interior will develop a monitoring system for a complete listing of grant awards, obtaining single audit reports and management decisions on audit findings.

**F. Controls over Fiduciary Activity (formerly Controls over Indian Trust Funds)**

**Management does not concur.** Upon careful consideration of the significant corrective action progress, procedures, and internal controls that have been implemented, Interior continues to believe that the efforts to address the deficiencies in controls related to Indian Trust Funds are substantially complete and provide reliable information. This position is based on the results of extensive internal control testing which revealed that controls are in place and operating effectively; therefore, there is no adverse impact on the current financial internal control environment. We believe that there is a high degree of accuracy in the Trust Fund account balances, that the accounting and asset management resource systems are reliable, and that monies are being properly and timely accounted for.

The concerns regarding historical differences do not imply that a current control deficiency exists. Current system design and operations allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. Therefore, these four historical differences do not fit the description of a current control deficiency and should not continue as a barrier to recognition of the improved control environment. The auditors' report did not contain findings suggesting current operational control deficiencies.

The following instances of noncompliance with laws, regulations, contracts, and grant agreements identified by the auditors were:

**G. Single Audit Act Amendments of 1996**

**Management concurs.** During FY 2010, Interior will work to obtain Single Audit, Financial Status, Grant Performance, and Annual Reports in a timely manner. Enhancements will continue to be made to the business process for complying with the Single Audit Act.

**H. Prompt Payment Act**

**Management concurs.** During FY 2010, Interior will work to modify the core financial systems to calculate prompt pay interest correctly and to establish an appropriate level of review.

In closing, corrective action plans will be established for each of these findings, which will be monitored/tracked through completion. Interior is committed to improving these and all other elements of financial management.